

Legal Compliance and Financial Management

To ensure legal compliance and financial management for the various restricted revenues and program expenditures, the City's accounting and budget structure is segregated into various funds. This approach is unique to the government sector. Fund accounting segregates functions and activities into separate self-balancing funds that are created and maintained for specific purposes; for example, Special Revenue Funds are used to account for the expenditure of restricted revenues, while Enterprise Funds account for self-sustaining "business" related activities for which a fee is charged to cover all costs associated with that business. The General Fund is the City's chief operating fund and is used to account for all financial resources, except those required to be accounted for in another fund.

A detailed overview of the City's budgeted revenues, expenditures, and fund balance by fund is presented in this section.

Fund Accounting - Fund Types

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The **General Fund** is the primary operating fund of the City. It exists to account for the resources devoted to finance the services traditionally associated with local government. Included in these services are police and fire protection, parks and recreation, planning and economic development, general administration of the City, and any other activity for which a special fund has not been created.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City maintains the following five Special Revenue Funds: Transportation, Preservation Privilege Tax, Special Programs, Special Districts, and Grants.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest that are not serviced by the General, Special Revenue, and Enterprise Funds. It does not include contractual obligations accounted for in the individual funds.

Enterprise Funds are used to account for operations, including debt service, which are financed and operated similarly to private businesses - where the intent is the service is self-sufficient, with all costs supported predominantly by user charges. The City maintains three Enterprise Funds to account for Water & Sewer, Solid Waste, and Aviation activities.

Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of commodities or services provided by one program for the benefit of other programs within the City. The City maintains two Internal Service Funds to account for Fleet and Self-Insurance activities.

Trust Funds are used to administer resources received and held by the City as the trustee or agent for others. Use of these funds facilitates the discharge of responsibility placed upon the City by virtue of law or other similar authority.

Capital Improvement Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The City maintains several Capital Project funds to ensure legal compliance and financial management for various restricted revenues. Examples of restricted revenue funds are:

Bond Funds – used to account for bond proceeds to be used only for approved bond projects.

Transportation Privilege Tax Capital Fund – used to account solely for transportation projects.

Grant Capital Funds – used to account for the proceeds of capital grants.

Enterprise Capital Funds – used to account for utility rates and development fees for specific projects.

Unrestricted General Capital Fund – used to account for transfers-in from the General Fund and for any other activity for which a special capital fund has not been created.

General Fund

Fund Purpose

The General Fund exists to account for the activity associated with traditional local government services such as police, fire, parks and recreation, planning and economic development and general City administration. Under Arizona State law, each city and town must maintain a General Fund and account for Highway User Revenues (see the Transportation Fund in the Special Revenue Fund section). The General Fund is the largest fund and typically the fund of most interest and significance to citizens.

General Fund Revenues and Transfers In

General Fund resources include both revenues and transfers-in from other fund types such as the Special Revenue, Enterprise and Internal Service Funds. Estimated General Fund revenues and transfers-in for FY 2006/07 equal \$264.9 million, an increase of approximately \$0.8 million, or 0.3 percent, from the FY 2005/06 year-end forecast of \$264.1million. This comparatively small increase in the forecasted General Fund revenues reflects an accounting change the City made based on a recent internal audit recommendation. A more comprehensive description of this change is addressed in the Transient Occupancy Tax summary. Without this accounting change, the total General Fund revenues would have increased approximately \$8.3 million, or 3.1 percent, over the prior year, which is attributable primarily to increases in privilege tax (sales) of \$6.8 million (6.5 percent), public safety privilege tax of \$0.7 million (6.5 percent), primary property tax of \$1.4 million (7.3 percent), light and power franchise taxes of \$0.2 million (2.5 percent), and cable TV franchise taxes of \$0.4 million (13.2 percent). Also, the development permits and fees are projected to decline \$2.0 million (10.5 percent) over a very strong FY 2005/06 performance. Additionally, the state-shared revenues are projected to decrease from the current year-end estimate because the mid-decade special census will likely have an adverse impact on the City's share, as faster growing cities and towns within the region receive an increased proportion of the overall pool of state-shared revenues.

Subsequent to the City's budget adoption, the State's budget was adopted. The State budget included a 10.0 percent permanent reduction in the state income tax rate. The tax rate reduction is to be phased in over a two year period (5.0 percent reduction in 2006 and another 5.0 percent in 2007) and will decrease the amount of funding available for allocation to Arizona's cities and towns. Based on a "*hold harmless*" proposal, the tax rate reduction should not adversely impact cities and towns in FY 2008/09, as the State has indicated it will appropriate \$717.0 million to help communities with the transition. Beyond FY 2008/09, cities and towns will likely see a reduction in their annual allocation of state shared income tax revenue. The City of Scottsdale forecasts a \$2.4 million and \$2.5 million reduction in FY 2009/10 and FY 2010/11, respectively. The actual reduction experienced by the City in these years will ultimately be a function of the final mid-decade census results and the total amount of revenue collected by the State for allocation to cities and towns. The State budget also proposes to distribute an additional \$10.5 million in FY 2008/09 to cities and towns for tax reductions taken from communities by the State in prior fiscal years. The City of Scottsdale forecasts its share of the \$10.5 million at approximately \$520,000. The General Fund five-year financial plan has been updated to reflect the anticipated additions and reductions noted above.

Revenues and transfers-in determine Scottsdale's capacity to provide program services to our citizens. The major resources, which fund the program operating budget, debt service and capital projects, are identified in this section.

Local Tax Revenues

Local Tax Revenues of \$153.5 million represent 57.9 percent of the General Fund total operating resources and are the fund's largest category of revenue source. With the exception of property taxes, all of these revenues are "elastic", meaning they vary directly with the economy – during economic expansion, elastic tax revenues increase, due to higher levels of consumer spending and tourism activity. During an economic downturn, the opposite is true and tax revenue levels decline. Local Tax Revenues consist of the following:

Privilege (Sales) Tax represents the 1.0 percent General Fund share of the City's total 1.65 percent sales tax that is available for any municipal purpose. The remaining 0.65 percent of the tax has dedicated uses and is allocated as follows: General Fund (Public Safety .10 percent), Special Revenue Fund (Transportation .20 percent) and Special Revenue Fund (Preservation .35 percent). The tax is the City's single largest revenue source. This revenue also includes sales tax application and penalty fees. It is also the General Fund's single largest revenue source, and the General Fund portion of the tax is used to pay for general governmental operations and the repayment of excise debt. For FY 2006/07, the adopted revenue budget is \$110.3 million, which is approximately a \$6.8 million, or a 6.5 percent increase over the FY 2005/06 year-end estimate of \$103.5 million. The regional economy appears to have recovered from the recession in 2001 and the related economic downturn from September 11th. The privilege tax is expected to grow moderately in the five-year revenue forecast which is shown in detail by major business category in the Appendix. Staff forecasts the privilege tax collections by category to arrive at a more precise total sales tax revenue. The revenue forecasts for each business category use various assumptions that combine historical elements as well as emerging fiscal, economic and legal considerations.

Privilege (Sales) Tax - Public Safety represents the .10 percent of the total 1.65 percent sales tax rate and is dedicated exclusively to public safety enhancements. The voters approved the .10 percent increase in the sales tax for public safety in May 2004. The Public Safety sales tax forecast calls for FY 2006/07 revenues of about \$11.0 million versus an expected FY 2005/06 year-end of approximately \$10.4 million. The same business category analysis used for the General Fund 1.0 percent tax was applied when forecasting the Public Safety Privilege Tax.

**Privilege (Sales) Tax
Adopted Budget to Actual/Estimate*
(in millions)**

Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$110.3	\$110.3*
2005/06	\$96.7	\$103.5*
2004/05	\$84.8	\$94.1
2003/04	\$77.4	\$85.2
2002/03	\$84.0	\$79.7

**Privilege (Sales) Tax – Public Safety
Adopted Budget to Actual/Estimate*
(in millions)**

Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$11.0	\$11.0*
2005/06	\$9.7	\$10.4*
2004/05	\$7.8	\$7.7
2003/04	-	-
2002/03	-	-

Property Tax (Primary) represents the General Fund's portion of the Primary Property Tax which is levied on the assessed value of all property within the City to help pay for City general governmental operation costs. By Arizona State Statute, the primary property levy is limited to a 2.0 percent increase per year, plus an allowance for annexations and new construction. Primary property tax accounts for 7.6 percent of the total projected FY 2006/07 General Fund resources. The FY 2006/07 revenue forecast of \$20.1 million represents an increase of slightly less than \$1.4 million, or 7.3 percent, from the FY 2005/06 year-end estimate of \$18.7 million. The adopted primary property tax rate of approximately 42 cents per \$100 of assessed valuation represents a 2 cent decrease from the FY 2005/06 rate.

Property Tax (Primary) Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$20.1	\$20.1*
2005/06	\$18.7	\$18.7*
2004/05	\$17.6	\$17.4
2003/04	\$16.6	\$16.4
2002/03	\$15.4	\$15.6

Transient Occupancy ("Bed") Tax during FY 2005/06 the bed tax revenue continued its recovery and the FY 2006/07 forecast assumes the tourism industry will post a solid performance in the coming year. Bed tax revenue is expected to increase by more than \$0.4 million, or 5.0 percent, from the FY 2005/06 year-end forecast of \$8.9 million to nearly \$9.3 million. Based on an internal audit recommendation, 80.0 percent, or more than \$7.4 million, of the total bed tax revenue will be budgeted in the Special Revenue-Special Programs Fund to reflect the restricted nature of this revenue. By City ordinance, 80.0 percent of this tax revenue is restricted for tourism and hospitality purposes and the payment of contracts to increase tourism and fund debt service for destination attractions. The FY 2006/07 General Fund budget reflects only 20.0 percent, or \$1.9 million, of the projected total bed tax revenue. The forecast assumes a moderate 4.0 percent growth in this revenue source beyond FY 2006/07.

Transient Occupancy ("Bed") Tax Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$1.9	\$1.9*
2005/06	\$8.2	\$8.9*
2004/05	\$6.7	\$7.9
2003/04	\$6.6	\$7.2
2002/03	\$7.6	\$6.7

Stormwater Quality Charge revenue relates to the water quality charge to help pay a portion of the City's Stormwater Management program costs. These costs are driven by "unfunded" federal mandates that require the City to operate under a National Pollution Discharge Elimination System (NPDES) permit and to address the quality of stormwater runoff. Charges are forecasted at \$0.7 million for FY 2006/07, nearly equal to the expected FY 2005/06 year-end forecast.

Stormwater Quality Charge Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$0.7	\$0.7*
2005/06	\$0.6	\$0.7*
2004/05	\$0.6	\$0.6
2003/04	-	-
2002/03	-	-

Other Taxes — Light & Power and Cable TV Franchise, Salt River Project In-Lieu Tax and Fire Insurance Premium include franchise taxes charged on revenues from utility and cable companies for use of City right-of-ways and in-lieu property tax for municipal utilities. The light & power franchise tax is projected to increase 2.5 percent, or \$0.2 million. The cable TV franchise tax is forecasted to increase 13.2 percent, or \$0.4 million, and Salt River Project In Lieu Tax is expected to remain flat at the FY 2005/06 year-end estimates of \$0.2 million. With the addition of the municipal Fire Department in FY 2005/06, the Fire Insurance Premium no longer comes to the City. Instead the revenue goes directly to the State Public Safety Retirement Fund and is credited to the City's actuarial calculation for firefighters.

Other Taxes Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$9.5	\$9.5*
2005/06	\$8.6	\$9.0*
2004/05	\$8.5	\$9.0
2003/04	\$8.3	\$8.7
2002/03	\$8.2	\$8.2

State-Shared Tax Revenues

State-Shared Tax Revenues include the state sales tax, income tax collections, and auto lieu tax, which are shared with all cities and towns throughout the state. The formula for distribution of the sales and income tax revenue is based upon the relation of the City's population to the total state population. Under this distribution method, mature cities reaching build-out will see their portion of state-shared tax revenues decrease, as rapidly growing cities receive a greater share of the revenue distribution. A mid-decade special census will likely have an adverse impact on the City's share, as faster growing cities and towns within the region receive an increased proportion of the overall pool of state-shared revenues (see note below).

The State Department of Revenue collects and distributes funds and provides revenue forecasts to cities and towns for these revenue sources. The auto lieu tax is shared based on the City's population in relation to the total incorporated population of Maricopa County.

Scottsdale's portion of the state-shared taxes is expected to decrease in FY 2006/07 by nearly \$0.5 million or 0.9 percent from the FY 2005/06 year-end estimate of \$51.5 million due to the special census mentioned previously.

Note: Subsequent to the City's budget adoption, the State's budget was adopted. The State budget included a 10.0 percent permanent reduction in the state income tax rate. The tax rate reduction is to be phased in over a two year period (5.0 percent reduction in 2006 and another 5.0 percent in 2007) and will decrease the amount of funding available for allocation to Arizona's cities and towns. Based on a "hold harmless" proposal, the tax rate reduction should not adversely impact cities and towns in FY 2008/09, as the State has indicated it will appropriate \$717.0 million to help communities with the transition. Beyond FY 2008/09, cities and towns will likely see a reduction in their annual allocation of state shared income tax revenue. The City of Scottsdale forecasts a \$2.4 million and \$2.5 million reduction in FY 2009/10 and FY 2010/11, respectively. The actual reduction experienced by the City in these years will ultimately be a function of the final mid-decade census results and the total amount of revenue collected by the State for allocation to cities and towns. The State budget also proposes to distribute an additional \$10.5 million in FY 2008/09 to cities and towns for tax reductions taken from communities by the State in prior fiscal years. The City of Scottsdale forecasts its share of the \$10.5 million at approximately \$520,000. The General Fund five-year financial plan has been updated to reflect the anticipated additions and reductions noted above.

State-Shared Revenues consist of the following:

State Shared Sales Tax cities and towns share in a portion of the 5.0 percent sales tax collected by the State – the State retains 50.0 percent, schools are designated to receive 40.0 percent, and the remaining 10.0 percent is allocated to cities and towns based on percentage of population. The forecast calls for FY 2006/07 revenues of approximately \$20.6 million versus an expected FY 2005/06 year-end of \$21.0 million. Revenue is expected to decline about \$0.4 million in FY 2006/07 due to the mid-decade special census. An increase of 6.0 percent is forecasted in the out-years of the plan.

State Shared Sales Tax Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$20.6	\$20.6*
2005/06	\$19.0	\$21.0*
2004/05	\$16.5	\$18.6
2003/04	\$15.4	\$16.9
2002/03	\$15.8	\$15.9

State Revenue Sharing (Income Tax) there is a two-year lag between the time citizens earn and report results to the State and when the State submits the actual revenues to cities and towns. Cities and towns in Arizona are prohibited from levying a local income tax; however, they are entitled to 15.0 percent of state income tax collections from two years previous. Revenue from State Shared Income Tax is forecasted at \$20.8 million for FY 2006/07, a 1.7 percent decrease over expected FY 2005/06 year-end of \$21.2 million. Again, as a result from the mid-decade special census where faster growing cities and towns within the region will receive an increased proportion of the overall pool of state-shared revenues. Future budget years reflect the impacts of the permanent reduction in the state income tax note (see note on previous page).

**State Revenue Sharing (Income Tax)
Adopted Budget to Actual/Estimate*
(in millions)**

Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$20.8	\$20.8*
2005/06	\$20.5	\$21.2*
2004/05	\$18.0	\$18.6
2003/04	\$18.0	\$18.3
2002/03	\$21.1	\$21.6

State Auto Lieu Tax is part of the vehicle license fees collected by Maricopa County, but is actually a State revenue source. The City receives its share of the vehicle license tax collection based on its population in relation to the total incorporated population of Maricopa County. The only stipulation on the use of this revenue is that it must be spent on a public purpose. The City has designated these tax proceeds for transportation services. The budget for FY 2006/07 is forecasted at \$9.6 million, which represents nearly a \$0.3 million, or 3.0 percent, increase from the FY 2005/06 year-end estimate of \$9.3 million.

**State Auto Lieu Tax
Adopted Budget to Actual/Estimate*
(in millions)**

Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$9.6	\$9.6*
2005/06	\$8.9	\$9.3*
2004/05	\$7.8	\$8.5
2003/04	\$6.9	\$8.0
2002/03	\$6.7	\$8.0

Licenses, Permits & Fees Revenue

Licenses, Permits & Fees Revenue include revenue from various business licenses, all fees recovered as a part of the development process, and recreation fees. This category includes building, electrical, mechanical, and plumbing permits, as well as subdivision, zoning, and plan check fees. Recreation Fees include revenue from the various recreational programs, classes, entry fees, and WestWorld event revenue. In accordance with Scottsdale's adopted financial policy, all fees and charges are reviewed annually.

Scottsdale's development activity is slowing as our community is changing from growth oriented to a maturing community focused on sustaining its high quality of life. The new commercial and residential construction activity is expected to continue, but at a slower pace. The attractiveness of Scottsdale, low commercial vacancy rates and low mortgage interest rates are major contributors to the Licenses, Permits & Fees Revenue.

Licenses, Permits & Fees Revenue consist of the following:

Building Permits Fees & Charges include fees assessed to developers/builders that recover the cost of four primary functions: 1) reviewing/processing development applications, 2) plan review of construction documents, 3) the issuance of building, electrical, mechanical and plumbing permits, and 4) the inspection of buildings/structures in the construction phase. The FY 2006/07 forecast of \$17.0 million takes into consideration planned redevelopment activity, commercial activity and a modest slowing of residential housing activity, along with a 2.0 percent increase to certain Planning and Development Services fees effective July 1, 2006. This is a conservative budget amount when compared to historical trends; however, it factors in the complexity and changing nature of the development activity and the City's conservative approach when forecasting elastic revenues.

Building Permit Fees & Charges
Adopted Budget to Actual/Estimate*
 (in millions)

Adopted Fiscal Year	Actual/Budget	Estimate*
2006/07	\$17.0	\$17.0*
2005/06	\$15.5	\$19.0*
2004/05	\$14.3	\$18.2
2003/04	\$13.5	\$17.3
2002/03	\$15.5	\$15.4

Fire Service Charges include service fees for the cost recovery of fire and medical standbys at special events, after hours inspections, and ambulance staffing and dispatch fees associated with the ambulance agreement. In addition, the department collects fees for CPR classes, permits and incident reports. For FY 2005/06, fire service charges were collected and reported in the miscellaneous revenue category. Beginning in FY 2006/07, fire service charges are re-classified from miscellaneous revenue to this new category to enhance accuracy and disclosure. FY 2006/07 revenues are forecasted at \$1.0 million – virtually the same as the FY 2005/06 year-end estimate.

Fire Service Charges
Adopted Budget to Actual/Estimate*
 (in millions)

Adopted Fiscal Year	Actual/Budget	Estimate*
2006/07	\$1.0	\$1.0*
2005/06	-	-
2004/05	-	-
2003/04	-	-
2002/03	-	-

Business Licenses & Fees include the licensing of business activity that takes place in Scottsdale and the associated fees relating to the licensure and regulation of specific activity. Revenues of approximately \$2.1 million are expected in FY 2006/07, reflecting a 4.0 percent increase from the FY 2005/06 year-end estimate. The increase is based on historical growth trends.

Business Licenses & Fees Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$2.1	\$2.1*
2005/06	\$2.0	\$2.0*
2004/05	\$1.8	\$1.7
2003/04	\$1.8	\$1.9
2002/03	\$1.7	\$1.8

Recreation Fees are budgeted at \$2.8 million and include revenue from the various recreational programs, classes, and entry fees. In accordance with the City's adopted financial policies, recreation fees are reviewed and adjusted annually, if the increase is justified by the analysis and approved by City Council. No fee increases are proposed for FY 2006/07.

Recreation Fees Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$2.8	\$2.8*
2005/06	\$2.3	\$2.6*
2004/05	\$2.2	\$2.4
2003/04	\$2.2	\$2.4
2002/03	\$2.1	\$2.2

WestWorld Fees include event revenue (general facility rental, concessions, parking fees, etc.) from events such as horse shows, auto auctions and car shows, consumer and home shows, as well as RV space rental income. Revenues of approximately \$2.3 million are expected in FY 2006/07 versus an expected FY 2005/06 year-end of \$2.2 million. In accordance with the City's adopted financial policies, WestWorld recreation fees are reviewed and adjusted annually, if the increase is justified by the analysis and approved by City Council. No fee increases are proposed for FY 2006/07. Staff's FY 2006/07 revenue forecast is based on future confirmed bookings for WestWorld as well as historical activity.

WestWorld Fees Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$2.3	\$2.3*
2005/06	\$1.8	\$2.2*
2004/05	\$1.6	\$1.8
2003/04	\$1.5	\$1.8
2002/03	\$1.3	\$1.5

Fines and Forfeiture Revenues

Fines and Forfeiture Revenues include court, parking, photo radar, and library fines. In the aggregate, the revenue for these items in FY 2006/07 is projected to be \$10.8 million for an increase of approximately \$0.1 million over the FY 2005/06 year-end estimate.

Court Fines are the General Fund portion of penalties or fees assessed by state statute, City ordinance or the Presiding Judge. Examples include: fines, a portion of the registration fee to attend Defensive Driving school, bonds forfeited to the City and collection fees. Revenues of approximately \$5.3 million are expected for FY 2006/07, which reflects a \$0.1 million increase from the FY 2005/06 year-end estimate. Staff developed revenue estimates based on historical trends in court activity.

Court Fines Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$5.3	\$5.3*
2005/06	\$5.1	\$5.2*
2004/05	\$3.9	\$5.1
2003/04	\$3.7	\$4.4
2002/03	\$3.5	\$4.2

Parking Fines are the General Fund portion of parking fees assessed per City ordinance and are forecasted at slightly more than \$0.3 million for FY 2006/07 – virtually the same as the FY 2005/06 year-end estimate.

Parking Fines Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$0.3	\$0.3*
2005/06	\$0.2	\$0.3*
2004/05	\$0.2	\$0.2
2003/04	\$0.1	\$0.2
2002/03	\$0.1	\$0.2

Photo Enforcement Fines are the General Fund portion of Photo Enforcement penalties as assessed by the Presiding Judge. Examples include: red light and speeding fines and a portion of the registration fee to attend Defensive Driving school. Revenues are budgeted at about \$2.5 million for FY 2006/07, which represents an increase of more than \$0.3 million, or 14.8 percent, from the FY 2005/06 year-end estimate. The use of photo enforcement is intended to be a deterrent to unsafe driving and to modify driving habits, not as a revenue producer.

Photo Enforcement Fines Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$2.5	\$2.5*
2005/06	\$2.5	\$2.2*
2004/05	\$1.1	\$2.7
2003/04	\$1.1	\$1.3
2002/03	\$1.1	\$0.8

Photo Enforcement Fines – Loop 101 Freeway represents the revenue anticipated with the conclusion of the Photo Enforcement Loop 101 pilot program where photo enforcement is used to target speeding drivers on Scottsdale's portion of the State Loop 101 Freeway. Scottsdale is the first community in the country to use photo enforcement on a multi-lane limited access freeway. Fine revenues are used to pay program administration and sub-contract costs. The forecasted revenue of \$2.0 million for FY 2006/07 represents four months of citation activity.

**Photo Enforcement Fines –
Loop 101 Freeway
Adopted Budget to Actual/Estimate*
(in millions)**

Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$2.0	\$2.0*
2005/06	\$10.0	\$2.3*
2004/05	-	-
2003/04	-	-
2002/03	-	-

Library Fines & Fees are monies collected when library materials are returned after they are due, are lost, and/or are damaged. This category also includes reciprocal inter-library revenue, library facility rentals, and library shared use reimbursements. FY 2006/07 revenues are forecasted at \$0.7 million – virtually the same as the FY 2005/06 year-end estimate. In accordance with the City's adopted financial policies, the library fines are reviewed and adjusted annually, if necessary. The FY 2006/07 budget does not include any fine increases and is based on historical activity.

**Library Fines & Fees
Adopted Budget to Actual/Estimate*
(in millions)**

Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$0.7	\$0.7*
2005/06	\$0.6	\$0.7*
2004/05	\$0.4	\$0.6
2003/04	\$0.4	\$0.5
2002/03	\$0.4	\$0.4

Interest Earnings/Property Rental

Interest Earnings are generated on idle General Fund cash balance throughout the year. Revenue from Interest Earnings is conservatively forecasted at \$2.3 million for FY 2006/07, \$0.3 million less than the expected FY 2005/06 year-end estimate of \$2.6 million. This revenue is a function of the relationship between the City's available cash balance and the interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield and allows investments in U.S. Treasury and Agency obligations, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, money market funds, and the State of Arizona's Local Government Investment Pool. Interest earnings applicable to bond proceeds and the Capital Improvement Plan (CIP) accrue to the CIP budget and are not included in General Fund revenues. Staff forecasted the interest earnings for FY 2006/07 based on recent activity and anticipated cash balances.

**Interest Earnings
Adopted Budget to Actual/Estimate*
(in millions)**

Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$2.3	\$2.3*
2005/06	\$1.9	\$2.6*
2004/05	\$1.7	\$2.3
2003/04	\$0.8	\$1.8
2002/03	\$3.3	\$1.7

Property Rental revenues are rental fees on facilities such as the Scottsdale Stadium, as well as amounts received from the Tournament Players Club and Princess Hotel for percent of revenue on gross sales agreements. The FY 2006/07 forecasted revenue of approximately \$3.1 million represents a slight decrease over the FY 2005/06 year-end estimate of \$3.2 million.

Property Rental Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$3.1	\$3.1*
2005/06	\$3.0	\$3.2*
2004/05	\$3.4	\$3.1
2003/04	\$3.3	\$3.2
2002/03	\$3.4	\$2.5

Other Revenue

Miscellaneous revenue includes various miscellaneous revenues the City receives during any given year that are not attributable to one of the specific revenue categories noted previously. The FY 2006/07 revenue is forecasted at \$0.3 million, which represents a decrease from the FY 2005/06 year-end estimate of \$1.3 million. The decrease is the result of the reclassification of fire service charges from miscellaneous revenue to the new category, "Fire Service Charges".

Other Revenue - Miscellaneous Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$0.3	\$0.3*
2005/06	\$1.0	\$1.3*
2004/05	\$1.2	\$1.1
2003/04	\$1.5	\$1.8
2002/03	\$2.0	\$1.9

Transfers-In

Transfers-In essentially represents the reimbursement of cost incurred for services (i.e., utility billing, payroll processing, benefits administration, etc.) provided and paid by the General Fund on behalf of the Enterprise Fund as well as in lieu property taxes and franchise fees. The cost of the services provided by the General Fund is allocated annually to these user funds on a rational and equitable basis. Property tax and franchise fees charged to the Enterprise Funds represent fees a private organization would incur while conducting business within the City. The total transfers-in for FY 2006/07 are expected to increase by approximately \$0.9 million over the FY 2005/06 year-end estimate as a result of higher franchise, in-lieu, and indirect fees charged to the Enterprise Funds.

General Fund Expenditures By Expenditure Type

The General Fund expenditures are presented by the following five major expenditure categories: personal services, contractual services, commodities, capital outlay, and debt service. Additionally, there are transfers-out to other funds.

Personal Services include the salaries and wages paid to employees, plus the City's contribution for fringe benefits such as retirement, social security, health, and workers' compensation insurance. The adopted personal services budget of \$170.4 million represents 72.2 percent of the FY 2006/07 General Fund Operating Budget of nearly \$236.0 million. The adopted FY 2006/07 personal services budget increased \$14.7 million or 9.5 percent from the FY 2005/06 adopted budget.

The personal services costs include a 3.0 percent cost of living pay adjustment equaling \$4.3 million for City personnel. The adopted budget also maintains the City's merit pay program at an estimated cost of \$2.3 million for those employees that have earned the increase through job performance and have not reached the top of their position pay range. The City's contribution to Arizona Public Safety Retirement System for police and fire in FY 2006/07 increases by about \$1.3 million. The City's contribution to the Arizona State Retirement System for civilian employees will increase by about \$0.6 million. The adopted FY 2006/07 General Fund budget also includes a net increase in healthcare costs of approximately \$2.5 million and \$0.8 million for overtime primarily related to Fire Public Safety activities.

The adopted General Fund budget includes 61.88 new full-time equivalent (FTE) staff positions at a total cost of nearly \$2.9 million. The General Fund additions can be summarized as follows:

Service Category	Gross Cost	New FTEs
Community Facilities	\$0.6M	14.81
Public Safety/Police	\$1.0M	26.50
Citizen Services & Community Growth	\$0.9M	15.07
Internal Service Demands	\$0.4M	5.50
Total	\$2.9M	61.88

Personal Services
Adopted Budget to Actual/Estimate*
 (in millions)

Adopted Fiscal Year	Actual/Budget	Estimate*
2006/07	\$170.4	\$170.4*
2005/06	\$155.7	\$155.7*
2004/05	\$120.8	\$114.4
2003/04	\$114.0	\$108.2
2002/03	\$106.2	\$104.4

See glossary for
Expenditure Type definitions

Further detail on the new FTEs is provided below:

Community Facilities – The positions in this category are necessary to staff new or expanded capital facilities primarily constructed with voter-approved Bond 2000 funding. The adopted budget includes 14.81 FTEs associated with these facilities at slightly under \$0.6 million in payroll and benefits costs. The McDowell Mountain Ranch Park and Aquatic Center will require 7.31 FTEs after opening in July 2006. Expansions at Chaparral Park and Scottsdale Ranch Park will require 2.75 FTEs and 0.75 FTE, respectively, to address the anticipated increased recreation and maintenance demands. The Facilities Maintenance Program will also require 3.00 FTEs to handle the added facilities and the Downtown Parking Program will need 1.00 FTE to handle increased service demands associated with the new parking structures.

Public Safety/Police – All of the staff additions in this category for FY 2006/07 are Police Department positions. The adopted budget includes 26.50 FTEs at approximately \$1.0 million in payroll and benefits costs. They include a combination of sworn (15.00 FTEs) and civilian (11.50 FTEs) positions. These positions are distributed among several programs in the Police Department. Most of the positions are in Patrol Services (12.00 sworn FTEs and 4.00 civilian FTEs). Other positions include detention supervisors (3.00 civilian FTEs), and mounted patrol officers (2.00 sworn FTEs). A sworn position (1.00 FTE) is included to support the Surveillance/SWAT team. The balance of the staff increase is all civilian -- Police Records (1.00 FTE), Crime Laboratory (1.00 FTE), Crime Scene Processing (1.00 FTE), Property and Evidence (0.50 FTE), and Internal Affairs (1.00 FTE).

Citizen Services & Community Growth – The need for positions in this category stems from customer service demands, growth in the community, and federal and state environmental regulations. The adopted budget includes 15.07 FTEs at a net payroll and benefits cost of less than \$0.9 million. The largest staff increase in this category is in the area of Planning and

Development Services (9.00 FTEs) to address the increased planning and development related workload. The other 6.07 FTEs are attributable to increasing service demands in the following areas: Environmental Preservation (1.00 FTE), the Victim's Advocate Program (1.00 FTE), trails and equestrian facilities (0.50 FTE), youth activities and after-school programs at Pima Park (0.37 FTE), Vista del Camino (0.70 FTE), the STOMP program (1.00 FTE), the Tax Audit Division (1.00 FTE) and facilities maintenance (0.50 FTE, upgrade of a part-time to a full-time position).

Internal Service Demands – The positions in this category are driven by a combination of internal and external customer service demands. The adopted budget includes 5.50 FTEs at a net payroll and benefits cost of approximately \$0.4 million. The adopted budget adds staff in the Information Systems (3.00 FTEs), Financial Services (1.00 FTE) and Human Resources (1.00 FTE) departments. The budget also includes upgrades to part-time clerical positions in the City Attorney's Office and in Capital Project Management to a full-time and a three-quarter-time position, respectively, for a total increase of 0.50 FTE.

The adopted General Fund budget also includes the conversion of existing contract workers in these areas to City staff in FY 2006/07 equal to 25.00 FTEs. The conversions are based on a sustainable workload. The associated net fiscal impact of converting these positions is less than \$60,000 next year.

Contractual Services include expenditures for services performed by firms, individuals, or other City departments. Supplies are not included in the contractual services account. The adopted budget of \$48.3 million represents 20.4 percent of the FY 2006/07 General Fund Operating Budget of nearly \$236.0 million. The FY 2006/07 adopted budget is \$3.6 million, or 7.9 percent, more than the FY 2005/06 adopted budget. The increase in contractual services includes a 3.0 percent increase for the Scottsdale Cultural Council contract plus an additional \$0.5 million to the Scottsdale Cultural Council for the purchase of theatre rigging, a security system replacement, Scottsdale Museum of Contemporary Art (SMoCA) humidification replacement, support for Theater 4301, SMoCA collection preservation, a one-time SMoCA conservation assessment for the collection, and a one-time community cultural assessment. Additionally, contractual services include a \$0.4 million increase for the Scottsdale Convention and Visitors Bureau (SCVB) contract. The adopted budget also includes \$0.3 million to cover the initial costs of training and processing of complaints related to the City's proposed new ethics policy.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$48.3	\$48.3*
2005/06	\$44.7	\$44.7*
2004/05	\$57.5	\$58.7
2003/04	\$53.7	\$55.0
2002/03	\$56.6	\$54.2

Commodities are expendable items purchased through the City-approved centralized purchasing process. This classification includes supplies, repair and replacement parts, small tools, and maintenance and repair materials that are not of a capital nature. The adopted budget of \$10.2 million represents 4.3 percent of the FY 2006/07 General Fund Operating Budget of almost \$236.0 million. The FY 2006/07 adopted budget is \$2.2 million more than the FY 2005/06 adopted budget. The increase in commodities is attributable to a general increase in commodities costs.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$10.2	\$10.2*
2005/06	\$8.0	\$8.0*
2004/05	\$6.1	\$7.1
2003/04	\$4.8	\$5.1
2002/03	\$5.5	\$5.5

Capital Outlay includes the purchase of land, the purchase of construction of buildings, structures, and facilities of all types, plus machinery and equipment. To qualify as capital outlay, an item must have an estimated useful life of more than one year, typically have a unit cost of \$5,000 or more, and be a betterment or improvement. The adopted budget of \$1.1 million represents 0.4 percent of the FY 2006/07 General Fund Operating Budget of nearly \$236.0 million. The majority of the adopted FY 2006/07 Capital Outlays budget of \$1.1 is related to vehicles and equipment for the 61.88 approved new FTE.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$1.1	\$1.1*
2005/06	\$1.4	\$1.4*
2004/05	\$1.1	\$0.3
2003/04	-	\$0.3
2002/03	\$0.1	\$0.4

Debt Service paid from the General Fund, is primarily contractual debt related to sales tax development agreements, and will vary based on the actual sales tax collections at each developed site. The FY 2006/07 budget of \$6.0 million represents 2.6 percent of the FY 2006/07 General Fund Operating Budget of almost \$236.0 million. The FY 2006/07 budget of \$6.0 million is \$0.5 million more than the FY 2005/06 adopted budget. The General Fund debt service is comprised of \$5.1 million in Contracts Payable and \$0.9 million in Certificates of Participation for FY 2006/07 as follows:

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Adopted Fiscal Year	Actual/ Budget	Estimate*
2006/07	\$6.0	\$6.0*
2005/06	\$5.5	\$5.5*
2004/05	\$12.1	\$4.3
2003/04	\$11.5	\$9.8
2002/03	\$13.3	\$12.7

Contracts Payable of \$5.1 million represents debt related to sales tax development agreements such as the Nordstrom Garage Lease, Hotel Valley Ho and the Promenade Agreement.

Certificates of Participation (COP) are instruments whereby the City enters into a lease-purchase agreement for the acquisition, operation and/or maintenance of a project. COPs are secured by a budgeted appropriation made each year by the City. At the completion of the lease period, the City owns the project. In FY 2005/06, the City issued \$7.65 million of COPs for the acquisition of the police/fire administration building. The COPs are payable over ten years at an average interest cost of 3.29 percent and are callable at the City's option after July 1, 2008. The FY 2006/07 forecast assumes a debt payment of \$0.9 million related to the purchase of the building.

Transfers-Out is the authorized movement of cash or other resources to other funds, divisions, departments, and/or capital projects. Transfers-Out in FY 2006/07 total \$56.5 million and includes \$5.3 million to the Capital Fund to cover the cost of on-going capital maintenance. The adopted budget also includes a transfer-out of \$5.6 million to the Capital Fund for Public Safety radio replacement and upgrades. In addition another \$34.5 million will be transferred to the Capital Fund for pay-as-you-go capital projects. Furthermore, \$2.9 million will be transferred-out to the Transportation Fund for transportation related operating costs (subsidy), \$2.5 million will be transferred to the Self-Insurance Fund, and \$0.2 million will be transferred to the Special Programs Fund for the Affordable Housing program grant match (\$0.1 million), neighborhood revitalization (\$0.1 million), for the preservation and maintenance of properties on Scottsdale's Historic Register (\$10K).

General Fund Balance/Reserves/Operating Contingency

Fund Balance/Reserves/Operating Contingency protects the City's financial condition and provides for unexpected economic challenges. Growth of fund balance occurs when revenues exceed expenditures. Fund balances are similar to a company's net equity (assets less liabilities) and should only be used for nonrecurring (non-operational) expenditures, since once they are spent they are only replenished by future year resources in excess of expenditures.

The City's budget planning and adopted financial policies call for the establishment of reserves and an operating contingency as part of the resource allocation/limit setting process. The process allows the City to "set aside savings" before it is allocated or spent as budgeted expenditures. The specific make-up of City's fund balance, reserves and operating contingency are noted below.

General Fund Reserve continues the City's adopted financial policy of setting aside a reserve to protect Scottsdale in times of emergency. This is the City's "savings account," and it is important to note that most of these funds are from "carry over", and once they are spent it will be difficult, if not impossible, to rebuild the reserve. It is financially prudent to have a minimum General Fund Reserve of 10.0 percent of the General and Highway User Revenue Funds total annual operating costs. For FY 2006/07, the General Fund Reserve includes an additional \$4.0 million for potential settlements related to ongoing privilege tax audit refunds. Based on the revenue and expenditure estimates included in the adopted budget, the ending FY 2006/07 General Fund Reserve is projected to be approximately \$30.5 million. Maintaining the General Fund Reserve is very important to the municipal credit rating agencies and in retaining the City's triple AAA bond ratings. It should be noted that the revenue sources that help build the General Fund Reserve during good economic times are considered "elastic" and, therefore, are subject to downturns during recessionary times.

Operating Contingency includes \$2.5 million of basic operating contingency to meet unforeseen expenses during the fiscal year. Based on City Council's action at the June 6, 2006 final budget adoption, an additional \$4.2 million was added to the FY 2006/07 operating contingency using the unreserved fund balance. The additional \$4.2 million of operating contingency is for the following: \$0.5 million for youth sports field maintenance, \$0.2 million for a downtown marketing program, \$2.2 million for the acquisition, renovation, and maintenance of the Villa Monterey Golf Course Property, and \$1.3 million to cover a potential increase in the employer's share of healthcare costs. City Council approval will be required before the funds can be transferred from the contingency to an operating department budget.

Open Purchase Order Reserves and Liabilities Reserves of \$5.0 million provides a funding source for year-end carryover budget expenditures and liabilities reserves.

Unreserved Fund Balance is the remainder after considering all of the other reserves/uses. The ending unreserved fund balance is forecast at approximately \$0.2 million, which represents the cumulative General Fund revenues not designated for a specific purpose. This balance represents an accumulation of one-time revenues and is most appropriately used for one-time expenditures, such as capital project funding. Under prudent fiscal management practices, this amount should not be used to fund new or expanded programs with ongoing operating expenses.

Special Revenue Funds

Description

The City uses four separate Special Revenue Funds to account for the activity of restricted revenues and designated expenditure uses for FY 2006/07. The individual funds are: Transportation, Preservation Privilege Tax, Special Programs, and Grants. The applicable specific revenues, expenditures and fund balances of the individual Special Revenue Funds, along with each fund's purpose, are described below:

Transportation Fund

Fund Purpose

The Transportation Fund receives and expends the City's allocation of the Arizona Highway User Revenue Tax (HURF) as well as the City's Transportation Sales Tax (.20%) revenue and other transportation related revenues. The amount of HURF available to each City is allocated based on population, which is determined by the latest federal census. These monies must be used for street construction, reconstruction, maintenance, or transit. The State of Arizona requires the City to establish and maintain an accounting for Highway User Revenue funds. The fund also accounts for the 1989 voter approved Transportation Privilege (Sales) Tax (.20%), which is dedicated to funding transportation improvements and operations. Per an adopted financial policy, the budget assumes a transfer of 50% of the Transportation Privilege (Sales) Tax to the Capital Improvement Fund for transportation related capital improvement projects.

Transportation Fund Revenues and Transfers-In

Highway User Revenue Tax ("Gas Tax") is distributed by the State of Arizona based upon the population of each city and the county of origin for the sales of fuel. The State constitution requires that all highway user revenue be used solely for street, highway or transit purposes. The cities share in the State collected highway user revenues based half on population, and half on the origin of the gas sale. The adopted FY 2006/07 budget of \$15.6 million represents an increase of \$0.5 million (3.6%) from the FY 2005/06 year-end estimate. Forecasted revenue growth is based on Scottsdale's population growth relative to other Arizona cities, as impacted by the mid-decade Special Census, as well as projected fuel sale activity for Maricopa County.

Transportation Privilege Sales Tax represents the .20 percent of the City's sales tax dedicated solely to transportation. Please note there is a difference between the transportation and preservation privilege tax revenue amounts, which is attributable to differences in the taxing provisions for each of the revenues. The adopted FY 2006/07 budget of \$22.1 million represents an increase of \$1.4 million (6.5%) from the FY 2005/06 year-end estimate. Staff's projected increase in revenues is based on estimated economic growth in sales activity for Scottsdale.

Highway User Revenue Tax (Gas Tax) Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$15.6	\$15.6*
2005/06	\$15.0	\$15.1*
2004/05	\$13.9	\$14.5
2003/04	\$13.5	\$14.0
2002/03	\$13.1	\$13.4

Transportation Privilege (Sales) Tax Revenue (0.20%) Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$22.1	\$22.1*
2005/06	\$18.3	\$20.7*
2004/05	\$16.2	\$18.1
2003/04	\$15.5	\$16.4
2002/03	\$16.4	\$15.3

Local Transportation Assistance Fund (LTAF) Revenue ("State Lottery") is distributed by the State of Arizona based upon population as well as City and town participation in the lottery. The adopted FY 2006/07 budget of \$1.1 million remains flat with the FY 2005/06 year-end estimate due to the restrictions by the State. The state-wide LTAF revenue sharing was capped by the State at a total of \$20.5 million in 1989 by the Arizona state legislature, resulting in no growth in this segment of intergovernmental transportation revenue.

Local Transportation Assistance Fund Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$1.1	\$1.1*
2005/06	\$1.1	\$1.1*
2004/05	\$1.1	\$1.1
2003/04	\$1.1	\$1.1
2002/03	\$1.1	\$1.1

Proposition 400 Regional Sales Tax represents the City's allocation of the 1.0 percent regional sales approved by Maricopa County voters in November 2004 for transportation and transit enhancements. Based on estimates from regional agencies, the City expects to receive its first operating budget allocation, estimated at \$0.3 million, from this regional sales tax in the 2006/07 fiscal year.

Transfers-In from the General Fund and the Solid Waste Fund support the Transportation Fund program expenditures. The General Fund and the Solid Waste Fund are budgeted to provide \$2.9 million and \$0.3 million, respectively, to support the programs of the Transportation Fund, which corresponds with the total resources needed to balance the budgeted operating and capital expenditures in the Transportation Fund.

Transportation Fund Expenditures By Expenditure Type

The Transportation Fund expenditures are presented by five major expenditure categories: personal services, contractual services, commodities, capital outlay, and debt service plus transfers-out to other funds as noted below:

Personal Services include the salaries and wages paid to employees, plus the City's contribution for fringe benefits such as retirement, social security, health, and workers' compensation insurance. The adopted FY 2006/07 personal services budget of \$6.5 million represents 23.2 percent of the total Transportation Fund operating budget for FY 2006/07 and represents an increase of \$0.6 million from the FY 2005/06 adopted budget. The budget increase is due to increased staffing needs, a 3.0 percent market adjustment, and increased health and retirement costs. The budget includes approximately \$0.2 million for 3.0 FTEs for citizen services and community growth pertaining to transportation needs.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$6.5	\$6.5*
2005/06	\$5.9	\$5.9*
2004/05	\$5.0	\$4.9
2003/04	\$5.0	\$3.6
2002/03	\$5.0	\$4.9

Contractual Services include expenditures for services performed by firms, individuals, or other City departments. Supplies are not included in the contractual services account. The adopted FY 2006/07 contractual services budget of \$20.7 million represents 74.1 percent of the total Transportation Fund operating budget for FY 2006/07 and represents an increase of \$1.8 million from the FY 2005/06 adopted budget. The budget increase is related to increased service-level demands related to public transit and street and alleyway maintenance.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$20.7	\$20.7*
2005/06	\$18.9	\$18.9*
2004/05	\$16.6	\$16.4
2003/04	\$15.4	\$15.0
2002/03	\$15.8	\$16.2

Commodities are expendable items purchased through the City-approved centralized purchasing process. This classification includes supplies, repair and replacement parts, small tools, and maintenance and repair materials that are not of a capital nature. The adopted FY 2006/07 commodities budget of \$0.7 million represents 2.5 percent of the total Transportation Fund operating budget for FY 2006/07 and represents an increase of less than \$0.1 million from the FY 2005/06 adopted budget. The budget increase is due to increased need for maintenance, repair, and replacement supplies due to enhanced street and alleyway maintenance.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.7	\$0.7*
2005/06	\$0.6	\$0.6*
2004/05	\$0.5	\$0.6
2003/04	\$0.5	\$0.5
2002/03	\$0.6	\$0.8

Capital Outlay includes the purchase of land, the purchase or construction of buildings, structures, and facilities of all types, plus machinery and equipment. To qualify as capital outlay, an item must have an estimated useful life of more than one year, typically have a unit cost of \$5,000 or more, and be a betterment or improvement. The adopted FY 2006/07 capital outlay budget of \$0.1 million represents 0.2 percent of the total Transportation Fund operating budget for FY 2006/07 and a slight decrease from the FY 2005/06 adopted budget.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$57,600	\$57,600*
2005/06	\$70,500	\$70,500*
2004/05	-	\$2,704
2003/04	-	-
2002/03	-	\$0.1

Debt Service the debt consists of payment for the Highway User Revenue Bonds along with the applicable annual fiscal agent fees. The adopted FY 2006/07 debt service budget of \$3.2 million represents 10.1 percent of the total Transportation Fund operating budget for FY 2006/07 and remains relatively flat with the FY 2005/06 adopted budget. The Highway User Revenue Bonds are slated to be fully repaid in FY 2006/07.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/ Estimate*
2006/07	\$3.2	\$3.2*
2005/06	\$3.1	\$3.1*
2004/05	\$3.1	\$3.1
2003/04	\$3.1	\$3.1
2002/03	\$3.1	\$3.1

See glossary for
Expenditure Type definitions

Transfers-Out is the authorized movement of cash or other resources to other funds, divisions, departments, and/or capital projects. Per adopted financial policy, the budget assumes 50% of Transportation Privilege Tax revenue will be transferred annually to the Capital Projects Fund to cover the cost of transportation system improvement operating costs.

Transportation Fund Balance

The projected FY 2006/07 Transportation Fund ending balance is projected to be zero. Typically, this fund does not have a planned fund balance due to its reliance on the General Fund to make up the difference between revenues and expenditures each year.

Preservation Privilege Tax Fund

Fund Purpose

This fund accounts for the portion of the City's Privilege (Sales) Tax (.35%) dedicated to the purchase of 36,400 acres of land within the McDowell Sonoran Preserve. In 1995, voters approved increasing the City's sales tax rate by (.20%) for the purchase of land within the McDowell Sonoran Preserve. In May 2004, voters approved an additional (.15%) in the City's sales tax rate dedicated to the McDowell Sonoran Preserve land acquisition. As with the 1995 tax, the 2004 tax covers the purchase of land within the preserve plus the construction of essential preserve related necessities such as proposed trailheads.

Revenue collections and contractual debt associated with purchased preserve land are accounted for in this fund. A transfer is made to the Debt Service Fund to pay debt service payments associated with bonds issued for land purchases.

Preservation Privilege Tax Fund Revenues

1995 Preservation Privilege (Sales) Tax represents the voter approved .20 percent of the City's sales tax dedicated to the purchase of 36,400 acres of land within the McDowell Sonoran Preserve. The FY 2006/07 budget of \$22.1 million represents an increase of approximately \$1.4 million (6.5%) from the FY 2005/06 year-end estimate. Please note there is a difference between the transportation and preservation privilege revenue tax amounts, which is attributable to differences in the taxing provisions for each of the revenues. The projected increase in revenues by staff is based on estimated economic growth in sales activity for Scottsdale.

1995 Preservation Privilege (Sales) Tax Revenue Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$22.1	\$22.1*
2005/06	\$18.8	\$20.7*
2004/05	\$16.8	\$18.5
2003/04	\$16.1	\$16.7
2002/03	\$16.6	\$15.6

2004 Preservation Privilege (Sales) Tax represents the voter approved .15 percent of the City's sales tax dedicated to the purchase of 36,400 acres of land within the McDowell Sonoran Preserve plus construction of essential preserve related necessities such as proposed trailheads. The FY 2006/07 budget of \$16.5 million represents an increase of approximately \$1.0 million (6.5%) from the FY 2005/06 year-end estimate. The projected increase in revenues by staff is based on estimated economic growth in sales activity for Scottsdale.

2004 Preservation Privilege (Sales) Tax Revenue Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$16.5	\$16.5*
2005/06	\$14.5	\$15.5*
2004/05	\$11.7	\$11.6
2003/04	-	-
2002/03	-	-

Interest Earnings is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investments in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield. The FY 2006/07 budget of \$0.8 million is on par with the FY 2005/06 year-end estimate. The projected increase in interest earnings by staff is based on current interest rates and the estimated available cash balance.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.8	\$0.8*
2005/06	\$0.7	\$0.8*
2004/05	\$0.5	\$0.5
2003/04	\$0.5	\$0.5
2002/03	\$0.5	\$0.7

Preservation Privilege Tax Fund Expenditures By Expenditure Type

There are no direct operating expenditures in the Preservation Privilege Tax Fund. All of the expenditures in this fund are for debt service on Preserve General Obligation and Revenue Bonds and transfers-out to the Capital Project Fund for land acquisition and construction of essential preserve related necessities such as proposed trailheads.

Debt Service adopted budget for FY 2006/07 of approximately \$1.0 million remains flat with the FY 2005/06 adopted budget and consists of contractual debt for the McDowell Sonoran Preserve.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$1.0	\$1.0*
2005/06	\$1.0	\$1.0*
2004/05	\$1.0	\$1.0
2003/04	\$0.9	\$1.0
2002/03	\$0.9	\$1.0

See glossary for
Expenditure Type definitions

Transfers-Out is authorized movement of cash or other resources to other funds, divisions, departments, and/or capital projects. The FY 2006/07 adopted budget of \$24.1 million consists of \$22.0 million in transfers out to the Debt Service Fund for debt payments on Preservation bonds and \$2.1 million related to capital improvement plan land acquisition.

Preservation Privilege Tax Fund Balance

The projected ending fund balance for FY 2006/07 is \$48.6 million, consisting of \$11.3 million related to the 1995 privilege tax (0.20%) and \$37.3 million related to the 2004 privilege tax (0.15%).

Special Programs Fund

Fund Purpose

This fund is used to account for dedicated funding sources and donations earmarked for specific purposes. All revenues not expended in the current fiscal year are carried over to the next fiscal year to continue funding the intended purpose.

Special Programs Fund Revenues

Transient Occupancy ("Bed") Tax Revenue comes from the City collecting a 3.0 percent Transient Occupancy Tax on hotel and motel room rentals in addition to the sales tax. Per City Ordinance 2045/2291 (amended), 80 percent of this tax revenue is restricted for tourism and hospitality purposes and pays for contracts to increase tourism and debt service for destination attractions. Therefore, 80 percent of this revenue is reflected in the Special Revenue – Special Programs Fund. The remaining 20 percent may be used for general government operations and is accounted for in the General Fund. The adopted FY 2006/07 budget of approximately \$7.5 million reflects a \$0.4 million or 5.0 percent increase from the FY 2005/06 year-end estimate of \$7.1 million. A strengthening national economy has given a boost to bed tax revenues this past year. Scottsdale's increase in revenue for FY 2006/07 was developed using information received locally from the Tourism Development Commission as well as national trends in the tourism industry.

Transient Occupancy (Bed) Tax Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/ Estimate*
2006/07	\$7.5	\$7.5*

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• **Note:** Prior to FY 2006/07 100% of the bed tax was accounted for in the General Fund. See the General Fund Transient Occupancy revenue description on page 72 for further details on the accounting change.

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Courts Revenue originates from three sources: Court Enhancement Fund (CEF), Judicial Collections Enhancement Fund (JCEF) and Fill-the-Gap (FTG). The Court Enhancement Fund was established by Scottsdale City Ordinance 2570 section 9-7.2 and provides funding to enhance the technological, operational, and security facilities of the Court. JCEF and FTG were established by Arizona Revised Statutes (ARS) 12-116 (A) (B) and Senate Bill (SB) 1013, which provide funding for maintaining and enhancing the Court's ability to collect and manage monies. Staff estimates the FY 2006/07 budget for restricted Court Revenue is \$1.2 million.

Court Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/ Estimate*
2006/07	\$1.2	\$1.2*
2005/06	\$1.0	\$1.3*
2004/05	\$0.6	\$0.9
2003/04	\$0.6	\$0.7
2002/03	\$0.6	\$0.6

Downtown Cultural Trust Revenue - This account holds funds generated from donations and contributions from private development as outlined in the City's art in private development Ordinance (Section 5.083). The FY 2006/07 budget for this revenue source is \$49,000.

Community Arts Trust Revenue - This account holds funds that are generated by the lease agreement with the Scottsdale Artists' School at Loloma. The FY 2006/07 budget for this revenue source is \$36,000.

Downtown Cultural/Arts Revenue Adopted Budget to Actual/Estimate*		
(in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.1	\$0.1*
2005/06	\$0.7	\$0.7*
2004/05	\$0.3	\$0.1
2003/04	-	\$0.1
2002/03	-	-

Human Resources – Cultural Diversity Revenue includes corporate sponsorship obtained through community outreach efforts in support of cultural programming, including the Cross-Cultural Communication Series and the Hispanic Heritage Community celebration. The FY 2006/07 budget for this restricted revenue source is \$10,000.

Human Resources Cultural Diversity Revenue Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$10,000	\$10,000*
2005/06	\$9,500	\$10,000*
2004/05	\$7,200	\$6,500
2003/04	-	\$7,500

Police Revenue includes money from the following five sources: (1) Racketeering Influenced Corrupt Organization (RICO) funds, which is only to be used for law enforcement purposes; (2) Forensic Services Intergovernmental Agreements (IGA) with surrounding communities for full cost recovery of crime laboratory services provided; (3) donations for the Mounted Unit and Family Advocacy Center; (4) drug conviction assessments, which may only be used for crime laboratory analysis purposes; and (5) funds for school resource education supplies. Staff estimates the FY 2006/07 budget for this restricted revenue source is \$0.7 million.

Police Revenue Adopted Budget to Actual/Estimate*		
(in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.7	\$0.7*
2005/06	\$0.9	\$0.8*
2004/05	\$0.4	\$0.7
2003/04	\$0.3	\$0.4
2002/03	\$0.3	\$0.3

Community Services Revenue includes donations and contributions that are to be spent for the specific purpose indicated by the donors. This may include enhancing parks, libraries and human services, providing memorials, covering the expenses associated with special events, providing funds to community support agencies (Scottsdale Cares), and maintaining and operating the train, carousel, and park facilities at the McCormick-Stillman Railroad Park. This revenue also includes McCormick-Stillman Railroad Park revenue generated from the operations of the train and carousel owned by the Scottsdale Railroad and Mechanical Society. Staff estimates the FY 2006/07 budget for this restricted revenue source is \$1.5 million.

Community Services Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$1.5	\$1.5*
2005/06	\$2.5	\$1.4*
2004/05	\$1.4	\$1.4
2003/04	\$1.6	\$1.7
2002/03	\$1.5	\$2.0

Citizen and Neighborhood Resources Revenue includes 50 percent of the total amount of fines collected for code enforcement violations. The proceeds from the fines are used to pay for any property abatement procedures necessary to clean up a property and a lien is placed on the property if the owner does not pay the City's cost of the clean up. In FY 2006/07, the budget for this restricted revenue source is \$25,000.

Citizen & Neighborhood Resources Revenue Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$25,000	\$25,000*
2005/06	\$15,172	\$54,000*
2004/05	\$19,700	\$33,933
2003/04	\$68,800	\$10,200
2002/03	-	\$903

Planning and Development Services Revenue

originates from the Green Building Program fees. The Green Building Program is a whole-systems approach utilizing design and building techniques to minimize environmental impact and to reduce the energy consumption of a building while contributing to the health of its occupants. The program fees are used to fund promotion, education, and public outreach to pro-actively campaign for environmentally responsible buildings in the City. The FY 2006/07 budget for this restricted revenue source is approximately \$19,000.

**Planning & Development Svcs Revenue
Adopted Budget to Actual/Estimate***

Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$19,215	\$19,215*
2005/06	\$23,500	\$31,700*
2004/05	\$20,600	\$24,150
2003/04	\$20,000	\$23,200
2002/03	\$42,500	\$20,475

Fire Revenue includes donations and contributions that are to be used for the specific purpose indicated by the donors. Categories include public education support, equipment acquisition, and fire station enhancements. The FY 2006/07 budget for this restricted revenue source is approximately \$4,000.

**Fire Revenue
Adopted Budget to Actual/Estimate***

Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$4,140	\$4,140*
2005/06	\$1,200	\$1,200*
2004/05	-	\$150
2003/04	-	-
2002/03	-	-

Transfers-In from the General Fund are budgeted for the Affordable Housing program in Human Services, which is used as a local grant match to leverage federal and state housing grant funds, and for the preservation and maintenance of properties on Scottsdale's Historic Register. Additional General Fund transfers-in to the Special Programs Fund includes funding for neighborhood preservation managed by the Preservation program.

Special Programs Fund Expenditures

NOTE: As a general practice, all Special Program Fund expenditures reflected in the budget are equal to 100% of the beginning fund balance plus any anticipated revenues. This practice creates maximum budget flexibility and reduces the likelihood of using contingency. The Transient Occupancy Tax is an exception to this practice as this ending fund balance tends to be larger and therefore is not budgeted until specific needs are identified. The ending fund balance is carried forward to future periods.

Transient Occupancy (“Bed”) Tax Expenditures
per City Ordinance 2045/2291 (amended), the use of these funds is restricted for tourism and hospitality purposes and pays for contracts to increase tourism and debt service for destination attractions. The FY 2006/07 budget of approximately \$7.0 million includes the destination marketing contract of \$6.5 million.

**Transient Occupancy Bed Tax
Adopted Budget to Actual/Estimate***
(in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$7.0	\$7.0*

Court Expenditure budget for FY 2006/07 is \$3.6 million and includes the following specific uses:

Enhancements to the Court’s technological, operational, and security facilities, as allowed under the Court Enhancement Fund (CEF) established by Scottsdale City Ordinance 2570 section 9-7.2.

Maintenance and enhancement of the Court’s ability to collect and manage monies, as allowed by Judicial Collections Enhancement Fund (JCEF) and Fill-the-Gap (FTG) established by Arizona Revised Statutes (ARS) 12-116 (A) (B) and Senate Bill (SB) 1013.

The increase for FY 2006/07 is a result of the general practice noted above - to budget 100 percent of the beginning fund balance plus any anticipated revenues. Again, this practice creates maximum budget flexibility and reduces the likelihood of using contingency.

**Court
Adopted Budget to Actual/Estimate***
(in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$3.6	\$3.6*
2005/06	\$2.1	\$0.3*
2004/05	\$0.3	\$0.3
2003/04	\$0.3	\$0.2
2002/03	\$0.1	\$0.1

Downtown Cultural/Community Arts Expenditures special programs adopted budget for FY 2006/07 is approximately \$0.7 million and will support the arts and special events in the downtown.

Downtown Cultural/Arts Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.7	\$0.7*
2005/06	\$1.0	\$0.5*
2004/05	\$0.3	\$0.0
2003/04	-	\$0.1
2002/03	-	-

Human Resources – Cultural Diversity Expenditures support cultural programming, including the Cross-Cultural Communication Series and the Hispanic Heritage Community celebration. The adopted budget for FY 2006/07 is approximately \$16,000.

Human Resources – Cultural Diversity Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$16,000	\$16,000*
2005/06	\$14,000	\$14,000*
2004/05	\$7,200	\$3,429
2003/04	-	\$613
2002/03	-	-

Police Expenditures budget for FY 2006/07 is \$0.9 million and includes the following specific uses:

Racketeering Influenced Corrupt Organization (RICO) funds may only be used for law enforcement purposes.

Crime laboratory services expenditures incurred by the City on behalf of surrounding communities. The City recovers the full cost of the crime laboratory services through Forensic Services Intergovernmental Agreements (IGA).

Mounted Unit, Family Advocacy Center and school resource education supplies, as specified by the donor.

Crime laboratory analysis, as outlined in drug conviction assessments.

Police Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
006/07	\$0.9	\$0.9*
2005/06	\$0.9	\$0.5*
2004/05	\$0.4	\$0.5
2003/04	\$0.3	\$0.3
2002/03	\$0.3	\$0.3

Community Services Expenditures budget for FY 2006/07 is \$4.2 million. The use of funds is based on the specific purpose indicated by the donors. This includes enhancing parks, libraries and human services, providing memorials, covering the expenses associated with special events, providing funds to community support agencies (Scottsdale Cares), and maintaining and operating the train, carousel, and park facilities at the McCormick-Stillman Railroad Park.

Community Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$4.2	\$4.2*
2005/06	\$2.8	\$2.8*
2004/05	\$2.4	\$1.6
2003/04	\$2.4	\$1.5
2002/03	\$2.0	\$1.2

Preservation Rehabilitation special programs adopted budget for FY 2006/07 is approximately \$0.1 million to assist in the preservation and maintenance of properties on Scottsdale's historic register.

Preservation Rehabilitation Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$110,000	\$110,000*
2005/06	\$10,000	\$10,000*
2004/05	\$10,000	-
2003/04	-	-
2002/03	-	-

Citizen and Neighborhood Resources Expenditures budget for FY 2006/07 is approximately \$0.1 million. Funds are used for any property abatement procedures necessary to clean up a property when an immediate health and/or safety situation exists. If the owner does not pay the City's cost of the clean up, the City then places a lien on the property.

Citizen and Neighborhood Resources Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$97,207	\$97,207*
2005/06	\$15,172	\$15,172*
2004/05	\$19,700	\$10,725
2003/04	\$68,800	\$0
2002/03	-	\$903

Planning and Development Services Expenditures relate to the promotion, education, and public outreach campaign for environmentally responsible buildings in the City. The FY 2006/07 adopted budget is \$50,000.

Planning and Development Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/ Estimate*
2006/07	\$50,000	\$50,000*
2005/06	\$23,500	\$23,500*
2004/05	\$20,600	\$12,401
2003/04	\$20,000	\$18,700
2002/03	\$42,500	\$14,066

Fire Expenditures are spent for the specific purpose indicated by the donors. Categories include public education support, equipment acquisition, and fire station enhancements. The FY 2006/07 adopted budget is approximately \$4,000.

Fire Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/ Estimate*
2006/07	\$4,300	\$4,290*
2005/06	\$1,200	\$1,200*
2004/05	-	-
2003/04	-	-
2002/03	-	-

Transfers-Out is the authorized movement of cash or other resources to fund debt service and/or capital projects. Transfers total approximately \$0.9 million for FY 2006/07 and include the transfer of \$0.7 million in bed tax funds for MPC debt, and \$0.2 million to the Capital Improvement Fund for RICO and Community Services projects.

Special Programs Fund Balance

Special Programs Fund projected ending balance of approximately \$2.1 million for FY 2006/07 represents the balance of unexpended bed tax revenues.

Special Districts Fund

Fund Purpose

This fund is used to account for proceeds received by property owners in return for the City providing agreed-upon increased levels of municipal services beyond the standard level of core City services. More specifically, the fund is used to account for the City's streetlight districts. All revenue not expended in the current fiscal year is carried over to the next fiscal year to continue funding the intended purpose.

Special Districts Fund Revenue

Streetlight Districts Revenue represents the levy assessed on property owners within each of the City's more than 350 streetlight districts. The adopted FY 2006/07 revenue budget is \$0.6 million, which is on par with the prior year budget.

Streetlight District Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.6	\$0.6*
2005/06	\$0.6	\$0.6*
2004/05	\$0.5	\$0.5
2003/04	\$0.5	\$0.5
2002/03	\$0.5	\$0.5

Special Districts Fund Expenditures

Streetlight District adopted FY 2006/07 expenditure budget equals the revenue budget of \$0.6 million and will be used solely for contractual services.

Streetlight District Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.6	\$0.6*
2005/06	\$0.6	\$0.6*
2004/05	\$0.6	\$0.5
2003/04	\$0.5	\$0.6
2002/03	\$0.5	\$0.5

Special Districts Fund Balance

Special Districts Fund balance of approximately \$0.8 million represents cash received from special district assessments and is restricted for the specific uses for which the district was established. All balances not expended in the current fiscal year are carried over to the next fiscal year to continue funding the intended purpose.

Grant Fund

Fund Purpose

This fund receives and expends the City's federal, state, and local grant revenues. The amount of grants received is generally based upon application to granting agencies by the City and upon availability of funding by the grantors. Grant revenues may be used only for the stated purpose in the approved grant agreement and are subject to grantor expenditure guidelines and audits. The City will only expend grant funds that have been appropriately awarded by the granting agency and accepted by City Council in a public meeting.

The City aggressively seeks grant funding to leverage City funds to address priority program and service needs. The major areas of the grant revenue budget are noted below:

Grant Fund Revenue by Grant Area

Community Development Block Grants (CDBG) and Section 8 Housing Grants are awarded annually by the U.S. Department of Housing and Urban Development (HUD) upon application for funding by the City. These grant revenues may only be used for those projects specifically approved in the grant application and are subject to agency expenditure guidelines and audits. Staff estimates the CDBG and Section 8 Housing Grants for FY 2006/07 to be \$2.2 million and \$5.5 million, respectively, for a total of \$7.7 million.

CDBG and Section 8 Housing Grants Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$7.7	\$7.7*
2005/06	\$7.6	\$7.6*
2004/05	\$6.8	\$6.6
2003/04	\$6.7	\$6.7

HOME Grants are received from the Maricopa County Home Consortium and are to be used to provide affordable housing, expand the capacity of non-profit housing providers, strengthen the ability of local governments to provide housing, and leverage private-sector participation in housing. Staff estimates the HOME Grants will total \$0.4 million for FY 2006/07.

HOME Grants Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.4	\$0.4*
2005/06	\$0.9	\$0.9*
2004/05	\$0.5	\$0.3
2003/04	\$0.7	\$0.7
2002/03	\$0.3	-

Miscellaneous Federal & State Grants include grants for law enforcement, community service, transportation, and water service projects. Staff estimates miscellaneous grants will total \$12.2 million for FY 2006/07.

Miscellaneous Federal & State Grants Revenue		
Adopted Budget to Actual/Estimate*		
(in millions)		
Fiscal Year	Adopted Budget	Actual/ Estimate*
2006/07	\$12.2	\$12.2*
2005/06	\$15.0	\$15.0*
2004/05	\$13.4	\$3.1
2003/04	\$5.1	\$5.1
2002/03	\$4.7	\$1.3

Grant Fund Expenditures by Grant

Information on Grant Fund expenditures is noted below:

Community Development Block Grants (CDBG) and Section 8 Housing Grants are used for social and housing services for the elderly, disabled and low-income families. The FY 2006/07 combined adopted budget is \$7.7 million, reflecting an increase of \$0.2 million from the FY 2005/06 adopted budget.

CDBG and Section 8 Housing Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$7.7	\$7.7*
2005/06	\$7.6	\$7.5*
2004/05	\$6.8	\$6.9
2003/04	\$6.7	\$6.7
2002/03	\$5.4	\$5.9

HOME Grants are to be used to provide affordable housing, expand the capacity of non-profit housing providers, strengthen the ability of local governments to provide housing, and leverage private-sector participation in housing. The FY 2006/07 adopted budget is \$0.4 million, reflecting a \$0.5 million decrease from the adopted FY 2005/06 budget.

HOME Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.4	\$0.4*
2005/06	\$0.9	\$0.9*
2004/05	\$0.5	\$0.3
2003/04	\$0.7	\$0.7
2002/03	\$0.3	-

Miscellaneous Federal & State Grants are typically used for the purchase of equipment and services related to the Police, Community Services and Water Resources departments. The FY 2006/07 adopted budget of \$12.2 million reflects a decrease of \$2.8 million from the FY 2005/06 budget.

Miscellaneous Federal & State Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$12.2	\$12.2*
2005/06	\$15.0	\$15.0*
2004/05	\$13.2	\$4.0
2003/04	\$5.1	\$5.1
2002/03	\$4.7	\$1.3

Grant Fund Balance

The Grant Fund balance can fluctuate widely from year to year due to the nature of the specific grants that have been awarded. Most of the City's grant awards are "expenditure driven" reimbursement grants, meaning the City is reimbursed after the grant-related expenditure is made for the intended purpose. On a less frequent basis, the City is awarded "endowment" type grants, which means the City actually receives the grant funding prior to making the expenditure.

Debt Service Fund

Fund Purpose

This fund accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest not serviced by the proprietary funds, with the exception of the General Fund. The General Fund includes Contracts Payable for contractual debt related to sales tax development agreements, and will vary based on the actual sales tax collections at each development site. The applicable specific revenues, expenditures, and fund balance of the Debt Service Fund are described below:

Debt Service Fund Revenues and Transfers-In

Property Tax (Secondary) represents the portion of the property tax that is exclusively limited to pay debt service by Arizona State Statute. While the growth is not limited on the primary portion of the property tax, the City's use of this portion of the property tax is restricted by State Statute to solely pay debt service on voter approved general obligation bonds. The debt service for bonds already issued, plus estimated debt service for bonds planned to be issued within the budgeted fiscal year, is levied. Secondary property tax accounts for 49 percent of the total Debt Service resources. The FY 2006/07 revenue forecast of \$28.7 million represents an increase of approximately \$0.3 million or 1.1 percent from the FY 2005/06 year-end forecast of \$28.4 million.

Property Tax (Secondary) Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$28.7	\$28.7*
2005/06	\$28.4	\$28.4*
2004/05	\$26.9	\$26.5
2003/04	\$25.5	\$25.3
2002/03	\$22.8	\$22.4

Special Assessment Revenue results from billings to the property owners within an Improvement District. Districts are formed when owners desire improvement to their property, such as roads, water lines, sewer lines, streetlights, or drainage. The expenditure of funds to construct the specific capital improvements and to pay the debt service on bonds is appropriated as part of the City's budget; however, the debt service is repaid by the property owners through a special assessment on their improved property. The FY 2006/07 revenue is estimated to be approximately \$1.1 million, which is nearly equal to the FY 2005/06 year-end estimate based on scheduled debt repayments. Improvement District debt will be permitted only when the full cash value of the property, as reported by the Maricopa County Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3:1 prior to issuance of debt and 5:1 or higher after construction of improvements. Should the full cash value to debt ratio not meet the minimum requirements, property value may be determined by an appraisal paid for by the applicant and administered by the City. In addition, per adopted financial policy, the City's cumulative improvement district debt will not exceed 5.0 percent of the City's secondary assessed valuation. Bonds issued to finance improvement district projects will not have maturities longer than ten years.

Special Assessment Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$1.1	\$1.1*
2005/06	\$1.1	\$1.1*
2004/05	\$2.8	\$2.0
2003/04	\$2.9	\$2.6
2002/03	\$2.6	\$2.3

Maricopa County Stadium District (MCSD)

Contributions are derived from a \$2.50 surcharge on car rentals in Maricopa County. The revenue forecast for FY 2006/07 of slightly less than \$0.1 million will be used to pay the debt services payments associated with the San Francisco Giants professional baseball practice facility.

Maricopa County Stadium District Contributions Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.1	\$0.1*
2005/06	\$0.1	\$0.1*
2004/05	-	\$0.3
2003/04	-	-
2002/03	-	-

Arizona Sports and Tourism Authority (AZSTA)

Contributions revenue represents the City's disbursement from the state tourism sports authority that will be used to pay the debt service payments associated with the Cactus League. The revenue is derived from a 1.0 percent hotel room tax and a 3.25 percent car rental surcharge (net of the \$2.50 MCSD surcharge mentioned above). The FY 2006/07 revenue is estimated to be approximately \$0.2 million.

Arizona Sports and Tourism Authority Contributions Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.2	\$0.2*
2005/06	\$0.3	\$0.2*
2004/05	-	\$0.05
2003/04	-	-
2002/03	-	-

Spring Exhibition Surcharge represents the ticket surcharge assessed on San Francisco Giants spring training games held in Scottsdale. The surcharge is used to pay for capital projects and debt service related to professional baseball facilities. The FY 2006/07 revenue is estimated to be approximately \$0.1 million.

Spring Exhibition Surcharge Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.1	\$0.1
2005/06	\$0.1	\$0.3*
2004/05	-	\$0.0
2003/04	-	-
2002/03	-	-

Transfers-In is the authorized movement of cash or other resources from other funds, divisions, departments, and/or capital projects. The transfers-in originate from the General Fund and Special Programs Fund for MPC debt service payments and the Preservation Privilege Tax Fund for the payment of general obligation and revenue bond debt service.

Debt Service Fund Expenditures by Debt Type

General Obligation (GO)/Preserve GO Bonds/ Preserve GO Bonds – Series 2005/2008 Debt Service – the Preserve GO Bonds represent debt issuances related to land acquisition in the McDowell Mountain Sonoran Preserve. Preserve debt is repaid by a dedicated .20 percent sales tax authorized by voters in 1995 and a .15 percent sales tax authorized in 2004. The FY 2006/07 budget totals \$46.2 million, which represents an increase of approximately \$7.2 million or 19 percent from the FY 2005/06 year-end estimate of \$38.9 million. The FY 2006/07 variance in the debt service expenditure is attributable to lower debt costs in FY 2005/06, which were caused by a delay in the issuance of bonds and unanticipated bond premiums, which offset the debt expense. In addition, FY 2006/07 budget reflects a full year of debt service, whereas only a partial year of debt service was incurred on some bonds in FY 2005/06. The FY 2003/04 difference between budget and actual was primarily due to early debt defeasances.

General Obligation Bond Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/ Estimate*
2006/07	\$46.2	\$46.2*
2005/06	\$42.2	\$38.9*
2004/05	\$40.0	\$37.2
2003/04	\$35.1	\$44.0
2002/03	\$32.4	\$31.4

Special Assessment Debt Service – Special Assessment Bonds are issued for property owners desiring improvements to their property such as roads, water lines, sewer lines, streetlights, or drainage. The expenditure of funds to construct the specific capital improvements and to pay the debt service on bonds is appropriated as part of the City's budget; however, the debt service is repaid by the property owners through a special assessment on their improved property. The City's debt management policy requires that the full cash value of the property to debt ratio is a minimum of 3:1 prior to issuance of debt and at least 5:1 after construction of the improvements. The FY 2006/07 budget totals \$1.1 million, which is equal to the FY 2005-06 year-end estimate.

Special Assessment Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/ Estimate*
2006/07	\$1.1	\$1.1*
2005/06	\$1.1	\$1.1*
2004/05	\$2.8	\$2.8
2003/04	\$2.9	\$2.8
2002/03	\$2.6	\$2.3

Preserve Authority Revenue Bonds Debt Service

– the Preserve Authority Revenue Bonds represent prior debt issuances related to land acquisition in the McDowell Mountain Sonoran Preserve.

All future preserve debt will be repaid from the dedicated 2004 Preservation Privilege (Sales) Tax (.15%) authorized by the voters on May 18, 2004. Obligations for FY 2006/07 total \$6.8 million, which is equal to the FY 2005-06 year-end estimate.

**Preserve Authority Revenue Bonds
Debt Service**
Adopted Budget to Actual/Estimate*
(in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$6.8	\$6.8*
2005/06	\$6.8	\$6.8*
2004/05	\$6.9	\$7.0
2003/04	\$6.9	\$6.3
2002/03	\$6.9	\$6.9

Municipal Property Corporation (MPC) Bonds

are issued by the City of Scottsdale Municipal Property Corporation (MPC), a nonprofit corporation created by the City in 1967, solely for the purpose of constructing, acquiring and equipping buildings, structures, or improvements on land owned by the City. A Board of Directors appointed by the City Council governs the MPC. The debt incurred by the corporation is a City obligation and the repayment of debt is financed by pledged General Fund excise taxes. FY 2006/07 obligations total \$5.9 million, which represents an increase of \$2.2 million over the FY 2005/06 forecast. This variance is due to two planned issues for FY 2005/06 being delayed until FY 2006/07 as well as a full year of debt service budgeted in FY 2006/07 versus only a partial year of debt service on some bonds in FY 2005/06.

MPC Bonds
Adopted Budget to Actual/Estimate*
(in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$5.9	\$5.9*
2005/06	\$4.8	\$3.7*
2004/05	\$7.6	\$6.1
2003/04	\$7.4	\$6.4
2002/03	\$7.4	\$7.4

Debt Service Fund Balance

The Debt Service Fund balance varies primarily due to the timing of debt issuances and related repayment schedule as mentioned above. The projected ending FY 2006/07 fund balance is approximately \$12.7 million, which is \$1.5 million less than the year-end estimate of \$14.2 million. This decrease is due in part to the planned use of fund balance in FY 2006/07 to offset debt service costs related to secondary property tax.

Enterprise Funds

Description

The City uses three separate Enterprise Funds to account for the activity of this proprietary fund type. The individual funds are Water & Sewer, Solid Waste, and Aviation. In the aggregate, the Enterprise Funds are the City's second largest source of revenues, which are derived from user fees and charges. User fees and charges are established to promote efficiency by shifting payment of costs to specific users of services and avoiding general taxation. Moderate rate increases are included as part of this budget to offset increasing operating costs, mandated environmental standard compliance, and pay-as-you-go capital costs attributable to repair and replacement of infrastructure. The applicable specific revenues of the individual funds, along with each fund's purpose, are described below.

Water & Sewer Funds

Fund Purpose

This fund accounts for the activity related to the City's water and sewer business activity, including operating and debt service payments. The Water & Sewer Fund capital expenditures are accounted for in the Capital Improvement Plan (see Volume Three for project detail).

Overview of User Fees Revenue Policy

Enterprise User Fees rate adjustments are based upon five-year financial plans developed for each operation and are reviewed annually per the City of Scottsdale's adopted financial policies to meet the stated objectives of:

- Equity — charges are borne by the beneficiaries of a project or service;
- Level distribution of necessary cost increases — to avoid large rate increases in any one year;
- Increasing debt as little as possible — to ensure that the City can meet bond coverage requirements and remain financially healthy;
- Rate design — which encourages conservation and efficient use of City resources.

Water & Sewer Funds Revenues and Transfers-In

Water Charges Revenue represents “user fees” charged to the party or parties that benefit directly from water services/usage. The adopted budget for FY 2006/07 totals \$79.8 million, reflecting a \$4.2 million increase from the FY 2005/06 year-end estimate. Projected revenue growth includes a 5.5 percent water rate increase, effective November 1, 2006, reflecting the capital and associated operating impacts of arsenic and disinfection by-product regulations enacted by the U.S. Environmental Protection Agency. The rate increase also addresses significant price increases in electricity and chemicals. In addition to the rate increase, the City recently issued \$88.4 million in new debt to meet the needs of the water enterprise fund that have been significantly impacted by the capital costs required to meet federal health and environmental regulations. The projected growth in revenues is based on a combination of increased water rates, growth from anticipated new customers, and a partial offset from decreased water consumption due to water conservation efforts. Monthly water billings consist of a base charge according to meter size and a variable charge for the amount of water consumed. Fees are reviewed annually to determine if they cover the costs of the services provided.

Water Charges Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$79.8	\$79.8*
2005/06	\$75.1	\$75.6*
2004/05	\$71.8	\$70.6
2003/04	\$71.4	\$70.0
2002/03	\$65.9	\$66.7

Sewer Charges Revenue represents “user fees” charged to the party or parties that benefit directly from sewer services/usage. The adopted budget for FY 2006/07 totals \$30.4 million, reflecting a \$3.2 million increase from the FY 2005/06 year-end estimate. Projected revenue growth includes a 6.0 percent sewer rate increase, effective July 1, 2006, reflecting the capital improvements and associated operating impacts at the Multi-City 91st Avenue Wastewater Treatment Plant to serve existing customers. The rate increase also addresses price increases in electricity and chemicals, as well as additional costs for sewer collection system maintenance to ensure regulatory compliance with new Capacity, Management, Operations, and Maintenance regulations that are intended to minimize sewer system overflows. Residential customers are charged a flat fee per month and commercial users are charged based upon water consumption and type of business. Fees are reviewed annually to determine if they cover the costs of the services provided.

Sewer Charge Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$30.4	\$30.4*
2005/06	\$28.3	\$27.2*
2004/05	\$26.1	\$26.8
2003/04	\$25.9	\$25.1
2002/03	\$26.8	\$25.5

Effluent Sales Revenue relate to the sewage treated to irrigation standards at the City's Water Campus for the 23 golf courses in north Scottsdale that are part of the Reclaimed Water Distribution System, and the Gainey Ranch golf course effluent use from that regional wastewater plant. Both are contractual obligations to provide effluent water for irrigation uses and all costs for providing these services are recovered through rates charged for the use. The adopted budget for FY 2006/07 totals \$0.6 million, remaining relatively flat with the FY 2005/06 year-end estimate.

Effluent Sales Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.6	\$0.6*
2005/06	\$0.6	\$0.6*
2004/05	\$0.6	\$0.4
2003/04	\$0.4	\$0.6
2002/03	\$0.3	\$0.5

Interest Earnings Revenue adopted budget for FY 2006/07 totals \$1.5 million, reflecting a \$0.3 million increase from the FY 2005/06 year-end estimate. Interest earnings are generated on idle Water & Sewer Fund cash balances throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield, and allows investments in U.S. Treasury and Agency obligations, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, money market funds, and the State of Arizona's Local Government Investment Pool.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$1.5	\$1.5*
2005/06	\$1.1	\$1.2*
2004/05	\$1.1	\$1.2
2003/04	\$2.1	\$0.9
2002/03	\$2.3	\$0.5

Miscellaneous Revenue adopted budget for FY 2006/07 totals \$2.3 million, reflecting a \$0.2 million increase from the FY 2005/06 year-end estimate. Receipts from the Central Groundwater Treatment Facility Superfund site are the primary revenue contributor.

Miscellaneous Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$2.3	\$2.3*
2005/06	\$2.1	\$2.1*
2004/05	\$1.3	\$1.7
2003/04	\$1.2	\$0.9
2002/03	\$3.9	\$7.1

Transfers-In is the authorized movement of cash or other resources from other funds, divisions, departments, and/or capital projects. Transfers-in from CIP development fees is the primary revenue contributor for this category. The adopted FY 2006/07 budget totals \$6.8 million, reflecting a slight decrease of \$0.1 million from the FY 2005/06 year-end estimate.

Water & Sewer Fund Expenditures by Expenditure Type

The Water & Sewer Fund expenditures are presented by the following five major expenditure categories: personal services, contractual services, commodities, capital outlay, and debt service. Additionally, there are transfers-out to other funds.

Personal Services include the salaries and wages paid to employees, plus the City's contribution for fringe benefits such as retirement, social security, health, and workers' compensation insurance. The adopted FY 2006/07 budget of \$14.1 million represents 18.4 percent of the total Water and Sewer operating budget and reflects a \$1.3 million increase from the adopted FY 2005/06 budget. Personal services cost drivers in the budget include increased retirement system and health care costs, a 3.0 percent cost of living adjustment, additional staffing for new facilities, and increased maintenance efforts and water quality testing. The budget includes \$0.3 million for 5.00 FTEs pertaining to community facilities needs at water treatment plants and \$0.2 million for 3.50 FTEs to address citizen services and community growth needs pertaining to water quality and wastewater treatment.

Contractual Services include expenditures for services performed by firms, individuals, or other City departments. Supplies are not included in the contractual services account. The adopted FY 2006/07 budget of \$27.7 million represents 36.2 percent of the total Water and Sewer operating budget and reflects a \$5.1 million increase from the adopted FY 2005/06 budget. The increase is primarily due to additional operational and maintenance needs at both current and new facilities, as well as increased water quality and wastewater treatment efforts to meet federal and state regulatory compliance.

Commodities are expendable items purchased through the City-approved centralized purchasing process. This classification includes supplies, repair and replacement parts, small tools, and maintenance and repair materials that are not of a capital nature. The adopted FY 2006/07 budget of \$15.2 million represents 20.0 percent of the total Water and Sewer operating budget and reflects a \$2.0 million increase from the adopted FY 2005/06 budget. The increase is related primarily to price increases for electricity, water treatment chemicals, and maintenance supplies.

See glossary for
Expenditure Type definitions

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$14.1	\$14.1*
2005/06	\$12.8	\$12.8*
2004/05	\$11.3	\$10.9
2003/04	\$10.6	\$7.7
2002/03	\$9.9	\$9.7

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$27.7	\$27.7*
2005/06	\$22.6	\$22.6*
2004/05	\$20.1	\$21.8
2003/04	\$18.9	\$17.4
2002/03	\$17.9	\$16.6

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$15.2	\$15.2*
2005/06	\$13.2	\$13.2*
2004/05	\$13.5	\$13.9
2003/04	\$12.8	\$10.1
2002/03	\$13.6	\$12.3

Capital Outlay includes the purchase of land, the purchase or construction of buildings, structures, and facilities of all types, plus machinery and equipment. To qualify as capital outlay, an item must have an estimated useful life of more than one year, typically have a unit cost of \$5,000 or more, and be a betterment or improvement. The adopted FY 2006/07 budget of \$0.3 million represents 0.4 percent of the total Water and Sewer operating budget and reflects a \$0.2 million increase from the adopted FY 2005/06 budget. The increase pertains to vehicles needed by additional Water Resources department staff.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.3	\$0.3*
2005/06	\$0.1	\$0.1*
2004/05	\$0.1	\$0.1
2003/04	-	\$0.1
2002/03	-	\$0.1

Debt Service represents the repayment of general obligation, revenue and MPC bonds, along with the applicable annual fiscal agent fees. The adopted FY 2006/07 budget of \$19.1 million represents 25.0 percent of the total Water and Sewer operating budget and reflects a \$4.0 million decrease from the adopted FY 2005/06 budget pertaining to final repayment of general obligation bonds.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$19.1	\$19.1*
2005/06	\$23.1	\$24.2*
2004/05	\$19.3	\$15.9
2003/04	\$14.0	\$19.7
2002/03	\$15.9	\$11.4

Transfers-Out is the authorized movement of cash or other resources to other funds, divisions, departments, and/or capital projects. The adopted FY 2006/07 budget of \$39.8 reflects a \$2.2 million increase from the adopted FY 2005/06 budget, primarily related to transfers to the CIP fund.

Water & Sewer Fund Balance/Reserves

Fund balance/reserves protect the City's financial condition and provide for unexpected economic challenges. Growth of fund balance occurs when revenues exceed expenditures. Fund balances are similar to a company's net equity (assets less liabilities). Prudent fiscal management dictates fund balances should only be used for nonrecurring (non-operational) expenditures, since once fund balances are spent, they are only replenished by future year resources in excess of expenditures.

The City's budget planning and adopted financial policies call for the establishment of reserves as part of the resource allocation/limit setting process. This process allows the City to "set aside savings" before allocated or spent as budgeted expenditures. The specific make-up of the City's fund balance and reserves are noted below.

Operating Reserve of \$16.7 million is projected for the end of FY 2006/07. This reserve is intended to ensure adequate funding for operations for a period of 90 days.

Repair/Replacement Reserve of \$23.0 million is projected for the end of FY 2006/07. This reserve is required per the term of the revenue bond indenture to ensure that funds are set aside to preserve the assets, which, in turn, are the collateral for the Water Revenue Bonds. The reserve is required to be at least 2.0 percent of the revenues received during the year, or until the reserve equals 2.0 percent of the value of total tangible assets. The reserve may be used from time to time for replacement or extension of the assets.

Special Contractual Fund Balance of \$2.3 million is projected for the end of FY 2006/07. This balance reflects reserves established in accordance with various contractual agreements for delivery of non-potable water by the Water Resources Department.

Solid Waste Fund

Fund Purpose

This fund accounts for the transactions related to the City's solid waste and recycling business activity, including operating and debt service payments. The Solid Waste Fund capital expenditures are accounted for in the Capital Improvement Plan (see Volume Three for project detail).

Solid Waste Fund Revenues

Refuse Collection Charges adopted FY 2006/07 budget totals \$18.0 million, reflecting a \$0.9 million increase from the FY 2005/06 year-end estimate. Projected revenue growth includes a 2.5 percent solid waste rate increase, effective July 1, 2006, reflecting the combined impacts of higher fleet rates attributable to fuel cost increases, alley maintenance support costs, and salary and benefit cost increases. Solid Waste Charges are billed monthly for the pickup of solid waste. Residential customers are charged a flat fee per month, while commercial customers are charged based upon the size of the container and the number of pickups per month. In addition, the City also provides roll-off, uncontained service, recycling programs, and household hazardous waste collection. Fees are reviewed annually to determine if they cover the costs of the services provided.

Solid Waste Fund Refuse Collection Charges Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$18.0	\$18.0*
2005/06	\$17.1	\$17.1*
2004/05	\$16.7	\$16.9
2003/04	\$16.2	\$16.4
2002/03	\$16.1	\$16.3

Interest Earnings Revenue adopted FY 2006/07 budget of \$52,600 reflects a decrease of approximately \$0.1 million from the FY 2005/06 year-end estimate. Interest earnings are generated on idle Solid Waste Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield.

Interest Earnings Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$52,600	\$52,600*
2005/06	\$64,600	\$140,000*
2004/05	\$40,500	\$127,800
2003/04	\$48,700	\$97,300
2002/03	\$44,000	\$41,900

Solid Waste Fund Expenditures by Expenditure Type

The Solid Waste Fund expenditures are presented by the following five major expenditure categories: personal services, contractual services, commodities, capital outlay, and debt service. Additionally, there are transfers-out to other funds.

Personal Services include the salaries and wages paid to employees, plus the City's contribution for fringe benefits such as retirement, social security, health, and workers' compensation insurance. The adopted FY 2006/07 budget of \$5.2 million represents 34.4 percent of the total Solid Waste operating budget and reflects a \$0.5 million increase from the adopted FY 2005/06 budget. Personal services cost drivers in the budget include increased retirement system and health care costs, a 3.0 percent cost of living adjustment, and additional staffing for increased service demands. The budget includes \$0.1 million for 2.00 FTEs to address citizen services and community growth needs for commercial collection services. The budget also includes the conversion of one contract worker (1.00 FTE) to a City employee, which would provide for continuity of existing service. There would be no net fiscal impact associate with this conversion.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$5.2	\$5.2*
2005/06	\$4.7	\$4.7*
2004/05	\$4.3	\$4.5
2003/04	\$4.2	\$3.0
2002/03	\$3.9	\$4.0

Contractual Services include expenditures for services performed by firms, individuals, or other City departments. Supplies are not included in the contractual services account. The adopted FY 2006/07 budget of \$9.5 million represents 62.3 percent of the total Solid Waste operating budget and reflects a \$0.6 million increase from the adopted FY 2005/06 budget, primarily related to annual inflationary factors in contract pricing.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$9.5	\$9.5*
2005/06	\$8.9	\$8.9*
2004/05	\$8.3	\$8.3
2003/04	\$8.2	\$8.2
2002/03	\$8.0	\$7.7

Commodities are expendable items purchased through the City-approved centralized purchasing process. This classification includes supplies, repair and replacement parts, small tools, and maintenance and repair materials that are not of a capital nature. The adopted FY 2006/07 budget of \$0.5 million represents 3.3 percent of the total Solid Waste operating budget and reflects a \$0.2 million increase from the adopted FY 2005/06 budget. The increase is mainly due to purchases of new and replacement commercial and roll-off residential containers.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.5	\$0.5*
2005/06	\$0.3	\$0.3*
2004/05	\$0.3	\$0.4
2003/04	\$0.3	\$0.3
2002/03	\$0.4	\$0.3

Capital Outlay includes the purchase of land, the purchase or construction of buildings, structures, and facilities of all types, plus machinery and equipment. To qualify as capital outlay, an item must have an estimated useful life of more than one year, typically have a unit cost of \$5,000 or more, and be a betterment or improvement. The adopted FY 2006/07 budget is zero.

Capital Outlay Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	-	-
2005/06	\$335,000	\$335,000*
2004/05	\$70,000	\$2,300
2003/04	-	\$14,000
2002/03	\$231,500	\$7,500

Debt Service represents the repayment of MPC bonds along with the applicable annual fiscal agent fees. The adopted FY 2006/07 budget is zero, due to early retirement of debt in July 2005.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	-	-
2005/06	\$1.5	\$1.5*
2004/05	\$0.3	\$0.1
2003/04	\$0.3	\$0.3
2002/03	\$0.3	\$0.3

See glossary for
Expenditure Type definitions

Transfers-Out is the authorized movement of cash or other resources to other funds, divisions, departments, and/or capital projects. The adopted FY 2006/07 budget of \$3.0 million reflects a \$0.2 million increase from the adopted FY 2005/06 budget, primarily related to transfers out to the General Fund for the City's general indirect overhead charge.

Solid Waste Fund Balance

Operating Reserve of \$4.0 million is projected for the end of FY 2006/07. This reserve is intended to ensure adequate funding for operations for a period of 90 days. The intent of the reserve is to provide for emergencies and the probability of significant future increases in landfill costs.

Unreserved Fund Balance is projected to be zero at the end of FY 2006/07. The unreserved balance represents the net financial resources that are expendable or available for budgeting.

Aviation Fund

Fund Purpose

This fund accounts for the transactions related to the City's aviation business activity at the Scottsdale Airport, which includes operating and debt service payments. The Aviation Fund capital expenditures are accounted for in the Capital Improvement Plan (see Volume Three for project details).

Aviation Fund Revenues

Aviation Fees and Charges Revenue adopted FY 2006/07 budget totals \$3.3 million, which remains relatively flat with the FY 2005/06 year-end estimate. The revenue forecast assumes no fee increases in the FY 2006/07 budget. Aviation fees and charges are for a variety of services provided to airport customers including tie down fees, hangar rentals, fuel sales, and other rental charges. Fees are reviewed annually to determine if they cover the costs of the services provided.

Aviation Fees and Charges Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$3.3	\$3.3*
2005/06	\$3.1	\$3.3*
2004/05	\$2.9	\$3.0
2003/04	\$2.9	\$2.8
2002/03	\$2.4	\$2.4

Interest Earnings Revenue adopted FY 2006/07 budget totals less than \$0.1 million, which remains relatively flat with the FY 2005/06 year-end estimate. Interest earnings are generated on idle Aviation Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield.

Interest Earnings Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$84,500	\$84,500*
2005/06	\$26,500	\$60,400*
2004/05	\$20,300	\$25,100
2003/04	-	\$11,500
2002/03	-	-

Jet Fuel Tax Revenue adopted FY 2006/07 budget totals \$0.1 million, which remains relatively flat with the FY2005/06 year-end estimate. Whereas in past years, jet fuel tax revenue was receipted in the General Fund and transferred to the Aviation Fund, jet fuel tax revenue is now collected and receipted directly to the Aviation Fund.

Jet Fuel Tax Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.1	\$0.1*
2005/06	-	\$0.1*
2004/05	-	-
2003/04	-	-
2002/03	-	-

Aviation Fund Expenditures by Expenditure Type

The direct operating expenditures of the Aviation Fund are divided into the following three major expenditure categories, plus transfers-out:

Personal Services include the salaries and wages paid to employees, plus the City's contribution for fringe benefits such as retirement, social security, health, and workers' compensation insurance. The adopted FY 2006/07 budget of \$1.0 million represents 58.8 percent of the total Aviation Fund operating budget and reflects a \$0.1 million increase from the adopted FY 2005/06 budget. Personal services cost drivers in the budget include increased retirement system and health care costs and a 3.0 percent cost of living adjustment. The budget includes the conversion of two contract workers (2.00 FTEs) to City employees. They are meeting a demonstrated need and a sustainable workload. There is no net fiscal impact associated with the conversions.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$1.0	\$1.0*
2005/06	\$0.9	\$0.9*
2004/05	\$0.8	\$0.8
2003/04	\$0.7	\$0.6
2002/03	\$0.7	\$0.7

Contractual Services include expenditures for services performed by firms, individuals, or other City departments. Supplies are not included in the contractual services account. The adopted FY 2006/07 budget of \$0.6 million represents 35.5 percent of the total Aviation Fund operating budget and remains relatively flat with the adopted FY 2005/06 budget.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.6	\$0.6*
2005/06	\$0.6	\$0.6*
2004/05	\$0.6	\$0.6
2003/04	\$0.5	\$0.5
2002/03	\$0.5	\$0.6

Commodities are expendable items purchased through the City-approved centralized purchasing process. This classification includes supplies, repair and replacement parts, small tools, and maintenance and repair materials that are not of a capital nature. The adopted FY 2006/07 budget of approximately \$0.1 million represents 5.7 percent of the total Aviation Fund operating budget and remains relatively flat with the adopted FY 2005/06 budget.

Commodities Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$97,900	\$97,900*
2005/06	\$63,400	\$63,400*
2004/05	\$61,500	\$54,700
2003/04	\$61,700	\$35,900
2002/03	\$64,700	\$31,200

Capital Outlay includes the purchase of land, the purchase or construction of buildings, structures, and facilities of all types, plus machinery and equipment. To qualify as capital outlay, an item must have an estimated useful life of more than one year, typically have a unit cost of \$5,000 or more, and be a betterment or improvement. The adopted FY 2006/07 budget is zero.

Capital Outlay Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	-	-
2005/06	-	-
2004/05	-	-
2003/04	-	\$230
2002/03	-	\$290

See glossary for
Expenditure Type definitions

Transfers-Out is the authorized movement of cash or other resources to other funds, divisions, departments, and/or capital projects. The adopted FY 2006/07 budget of \$2.5 million reflects a \$0.4 million increase from the adopted FY 2005/06 budget. The increase is primarily related to transfer of funds to the CIP for various aviation capital projects.

Aviation Fund Balance

Operating Reserve of \$0.6 million is projected for the end of FY 2006/07. This reserve is intended to ensure adequate funding for operations for a period of 90 days. The intent of the reserve is to provide for emergencies, provide for potential grant matches, and to ensure that General Fund subsidies are avoided.

Repair and Replacement Reserve of \$1.9 million is projected for the end of FY 2006/07. The intent of the reserve is to ensure adequate funding for emergency repair and replacement needs at the airport.

Unreserved Fund Balance is projected to be zero at the end of FY 2006/07. The unreserved balance represents the net financial resources that are expendable or available for budgeting.

Internal Service Funds

Description

The City uses two separate Internal Service Funds to account for the activity of this fund type. The individual funds are Fleet Management and Self-Insurance Funds.

Fleet Management Fund

Fund Purpose

This fund is used to account for the expenditures associated with purchasing and maintaining the City's vehicles. Replacement and operation of vehicles are charged to the City departments as internal operating costs to each program based on the quantity and type of vehicle used. The department charges become revenue to the Fleet Management Fund.

Fleet Management Fund Revenues and Transfers In

Vehicle Acquisition Rates represents the "rental" rate charged to other City funds and programs sufficient for the acquisition and replacement of City vehicles. For FY 2006/07, approximately 33.6 percent of the Fleet Management Fund's operating revenues come from rates related to vehicle acquisition. The adopted vehicle acquisition rates budget for FY 2006/07 totals nearly \$5.0 million for an increase of approximately \$0.7 million over the FY 2005/06 year-end revenue estimate. The increase is primarily attributed to the addition of vehicles for new staff in public safety, community services and water & sewer.

Vehicle Acquisition Rates Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$5.0	\$5.0*
2005/06	\$4.3	\$4.3*
2004/05	\$4.9	\$4.8
2003/04	\$4.6	\$4.7
2002/03	\$4.7	\$4.5

Maintenance & Operation Rates represents the "rental" rate to other City programs sufficient for the maintenance and operation of City vehicles. For FY 2006/07, approximately 62.2 percent of the Fleet Management Fund's operating revenues come from rates related to vehicle maintenance and operation. The adopted maintenance and operations rates budget for FY 2006/07 totals more than \$9.2 million for an increase of approximately \$1.5 million over the FY 2005/06 year-end revenue estimate. The increase is primarily attributed to higher costs for petroleum related items (fuels, lubricants, parts, etc.) and more vehicles added to the City's overall fleet.

Maintenance & Operation Rates Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$9.2	\$9.2*
2005/06	\$7.8	\$7.8*
2004/05	\$6.6	\$6.6
2003/04	\$6.5	\$6.0
2002/03	\$5.8	\$6.0

Miscellaneous Revenue comes from the liquidation of surplus property. The FY 2006/07 budget is slightly under \$0.2 million, which is on par with the FY 2005/06 year-end revenue estimate.

Miscellaneous Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.2	\$0.2*
2005/06	\$0.2	\$0.2*
2004/05	\$0.2	\$0.1
2003/04	\$0.3	\$0.1
2002/03	\$0.3	\$0.2

Interest Earnings are generated on idle Fleet Management Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's adopted investment policy stresses safety above yield. The adopted FY 2006/07 interest earnings budget of slightly less than \$0.4 million is about \$0.1 million more than the FY 2005/06 year-end revenue estimate.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.4	\$0.4*
2005/06	\$0.4	\$0.3*
2004/05	\$0.4	\$0.3
2003/04	\$0.2	\$0.2
2002/03	\$0.3	\$0.3

Fleet Management Fund Expenditures by Expenditure Type

The direct operating expenditures of the Fleet Management Fund are divided into the following four major expenditure categories:

Personal Services include the salaries and wages paid to employees, plus the City's contribution for fringe benefits such as retirement, social security, health, and workers' compensation insurance. The adopted personal services budget totals \$3.5 million, which represents 22.1 percent of the Fleet Management Fund total operating budget for FY 2006/07. The adopted FY 2006/07 personal services budget increased \$0.5 million from the FY 2005/06 adopted budget. Major personal services cost drivers in the FY 2006/07 budget include increases in retirement system and healthcare costs and a 3.0 percent salary market adjustment. The adopted budget also includes 4.0 new full time positions in FY 2006/07 with hire dates of September 1, 2006 (1 Sr. Equipment Parts Specialist and 3 Equipment Parts Specialists). The 10 month fiscal impact of the new positions in FY 2006/07 is approximately \$154,000.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$3.5	\$3.5*
2005/06	\$3.0	\$3.0*
2004/05	\$2.6	\$2.5
2003/04	\$2.5	\$1.9
2002/03	\$2.6	\$2.3

Contractual Services include expenditures for services performed by firms, individuals, or other City departments. Supplies are not included in the contractual services account. The adopted budget of \$1.0 million represents 6.4 percent of the Fleet Management Fund total operating budget for FY 2006/07. The adopted FY 2006/07 contractual services budget increased less than \$0.2 million from the adopted budget FY 2005/06. The increase is attributable to growth in the number of vehicles in the fleet.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$1.0	\$1.0*
2005/06	\$0.9	\$0.9*
2004/05	\$0.7	\$1.0
2003/04	\$0.7	\$0.9
2002/03	\$0.7	\$0.7

Commodities are expendable items purchased through the City-approved centralized purchasing process. This classification includes supplies, repair and replacement parts, small tools, and maintenance and repair materials that are not of a capital nature. The budget of \$5.5 million represents 34.4 percent of the Fleet Management Fund total operating budget for FY 2006/07. The adopted FY 2006/07 commodities services budget increased \$0.9 million from the adopted budget FY 2005/06. The increase is related to higher prices for fuel, as well as petroleum-based products and supplies.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$5.5	\$5.5*
2005/06	\$4.6	\$4.6*
2004/05	\$3.5	\$3.9
2003/04	\$3.2	\$3.3
2002/03	\$3.3	\$3.5

Capital Outlay includes the purchase of land, the purchase or construction of buildings, structures, and facilities of all types, plus machinery and equipment. To qualify as capital outlay, an item must have an estimated useful life of more than one year, typically have a unit cost of \$5,000 or more, and be a betterment or improvement. The capital outlay budget of \$5.9 million represents 37.1 percent of the Fleet Management Fund total operating budget for FY 2006/07. The adopted FY 2006/07 capital outlay budget increased approximately \$2.5 million from the FY 2005/06 adopted budget. The increase is attributable to vehicle purchases (new and replacement).

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$5.9	\$5.9*
2005/06	\$3.4	\$3.4*
2004/05	\$3.6	\$2.8
2003/04	\$3.5	\$2.1
2002/03	\$5.4	\$3.9

See glossary for
Expenditure Type definitions

Transfers-Out is the authorized movement of cash or other resources to other funds, divisions, departments, and/or capital projects. Transfers-out of slightly less than \$0.2 million are planned in FY 2006/07 to cover the cost of fleet related capital projects.

Fleet Management Fund Fund Balance

The Fleet Management Fund balance varies primarily due to the vehicle replacement schedule. The portion of internal charges to programs for replacement vehicles is evenly spread over the expected life of the vehicles. This charge becomes revenue to the Fleet Management Fund and is representative of the replacement charge for many vehicles with differing useful lives. Therefore, the revenue does not vary significantly by year, but the year in which vehicles are purchased may vary significantly if, for example, several large, expensive vehicles are scheduled for replacement in a single year. The fund balance at the end of each year includes the accumulated balance to be used for future year vehicle purchases.

The ending FY 2006/07 fund balance is projected to be approximately \$9.1 million, which is nearly a \$1.2 million decrease from the FY 2005/06 year-end estimate.

Self-Insurance Fund

Fund Purpose

The Self-Insurance Fund is used to account for the City's self-insurance program. Revenue to this fund is derived from charges to user programs. This fund provides coverage of unemployment, self-insured benefits, workers' compensation, and property and liability claims.

Self Insurance Fund Revenues and Transfers In

Property Casualty Rates represent this fund's operating resources, which are derived from internal charges for services to other City funds. These charges are comprised of a self-insurance charge covering general and auto liability/physical damages, workers' compensation, unemployment taxes, and property charges. The adopted revenue budget of nearly \$6.2 million represents approximately 21.6 percent of the Self-Insurance Fund operating revenues for FY 2006/07. The adopted FY 2006/07 budget is \$1.5 million more than the prior year end revenue estimate, which is attributable to higher claims experience and the increased cost of excess insurance premiums.

Property Casualty Rates Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$6.2	\$6.2*
2005/06	\$5.3	\$5.4*
2004/05	\$4.8	\$5.3
2003/04	\$4.1	\$5.1
2002/03	\$4.3	\$4.1

Short Term Disability Rates represents the resources collected solely from employees participating in the City's short term disability plan – no City (i.e., employer) contributions are made for short term disability coverage. The FY 2006/07 revenue budget of \$140,000 is consistent with the prior year amount.

Short Term Disability Rates Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$140,000	\$140,000*
2005/06	\$140,000	\$140,000*
2004/05	N/A	N/A
2003/04	N/A	N/A
2002/03	N/A	N/A

Group Health Care Rates are comprised of contributions from: the City (i.e., employer), employees, retirees, COBRA participants and medical leave conversion contributions, all of which are used to fund the City's self-insured medical and dental plans. The adopted budget of almost \$22.3 million represents approximately 77.9 percent of the Self-Insurance Fund's total operating revenues for FY 2006/07. The Group Health Care Revenues budget of \$22.3 million includes \$0.2 million interest earnings allocated to the Self-Insurance Fund.

Group Health Care Rates Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$22.3	\$22.3*
2005/06	\$16.1	\$16.7*
2004/05	\$13.4	\$14.1
2003/04	-	-
2002/03	-	-

Property Taxes (Tort Claims) this revenue represents a reimburse the City's Self-Insurance Fund for the "actual" cost of liability claim judgments paid during the most recently completed calendar year. The inclusion of the tort claim reimbursements in the City's primary tax levy is allowed per a March 20, 1986 Arizona Attorney General opinion. Claim judgments are paid from the Self-Insurance Fund – an Internal Service Fund – and therefore, the reimbursement becomes revenue to this fund.

Note: In FY 2006/07, \$2,852,500 of tort claims were included in the *proposed* budget; however, during the final budget adoption hearing on June 6, 2006 City Council elected to completely eliminate the \$2,852,500 of tort claim recovery from the adopted FY 2006/07 budget. This action resulted in an additional reduction in the primary tax rate of approximately 6 cents from the proposed budget.

Property Taxes (Tort Claims) Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0	\$.0*
2005/06	\$0.7	\$0.7*
2004/05	\$0.4	\$0.4
2003/04	\$0.6	\$0.7
2002/03	\$1.0	\$0.6

Transfers-In are used to address anticipated rate increases and future actuarially determined funding needs. In the adopted FY 2006/07 budget, a \$2.5 million transfer in from the General Fund to the Self-Insurance Fund is planned.

Self Insurance Fund Expenditures by Expenditure Type

The direct operating expenditures of the Self-Insurance Fund are divided into the following three major expenditure categories plus transfers-out:

Personal Services include the salaries and wages paid to employees, plus the City's contribution for fringe benefits such as retirement, social security, health, and workers' compensation insurance. The adopted budget of slightly less than \$0.7 million represents 2.4 percent of the FY 2006/07 Self-Insurance Fund operating budget. The adopted FY 2006/07 personal services budget increased approximately \$66,500 from the adopted FY 2005/06 budget. Major personal services cost drivers in the budget include increases in retirement system and healthcare costs and a 3.0 percent salary market adjustment.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$0.7	\$0.7*
2005/06	\$0.6	\$0.6*
2004/05	\$0.5	\$0.6
2003/04	\$0.5	\$0.4
2002/03	\$0.5	\$0.5

Contractual Services include expenditures for services performed by firms, individuals, or other City departments. Supplies are not included in the contractual services account. The budget of more than \$27.7 million represents 97.5 percent of the FY 2006/07 Self-Insurance Fund operating budget. The \$27.7 million contractual services budget includes \$21.9 million for group health claims and more than \$0.1 million for short-term disability claims. The adopted FY 2006/07 Self-Insurance Fund contractual services budget increased approximately \$4.6 million over the adopted FY 2005/06 budget. The increase is driven by two factors -- anticipated increases in healthcare costs and in property/liability insurance premiums for excess coverage.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$22.0	\$22.0*
2005/06	\$16.8	\$18.5*
2004/05	\$11.5	\$14.8
2003/04	NA*	NA*
2002/03	NA*	NA*
*The amounts presented here include Fund 710 (Self-Insurance) and Fund 715 (Self-Insured Benefits).		

Commodities are expendable items purchased through the City-approved centralized purchasing process. This classification includes supplies, repair and replacement parts, small tools, and maintenance and repair materials that are not of a capital nature. The adopted FY 2006/07 commodities budget of \$33,800 remains on par with the adopted FY 2005/06 budget.

Commodities Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2006/07	\$33,800	\$33,800*
2005/06	\$28,400	\$36,910*
2004/05	\$42,500	\$93,292
2003/04	\$0.1M	\$0.1M
2002/03	\$0.2M	\$0.1M

See glossary for
Expenditure Type definitions

Transfers-Out is the authorized movement of cash or other resources to other funds, divisions, departments, and/or capital projects. Transfers-out \$8,700 are planned to cover the cost of capital projects.

Self Insurance Fund Balance

The Self-Insurance Fund balance is maintained to provide for coverage of unemployment, self-insured benefits, workers' compensation, and property and liability claims. The required fund balance is actuarially determined on an annual basis.

The ending FY 2006/07 fund balance is projected to be almost \$19.3 million, which is an increase of \$2.7 million from the FY 2005/06 year-end estimate. The increase is attributable to the \$2.5 million budgeted as a transfer-in from the General Fund to bolster the property casualty claim reserve. The group health care claim and the short term disability reserves remained relatively unchanged from the prior year-end estimate.

Trust Funds

Description

This fund is used to account for assets “held in trust” by the City. The City holds the funds in a trustee capacity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 34. All funds not expended in the current fiscal year are carried over to the next fiscal year to continue funding the intended purpose. The City maintains the following two Trust Funds:

Mayor’s Committee for Employment of the Handicapped

Fund Purpose

Used to account for proceeds for programs and activities to promote employment of handicapped individuals. The FY 2006/07 adopted budget for this trust fund is \$15,000 and will be used to pay for contractual services.

Scottsdale Memorial Hospital Redevelopment

Fund Purpose

This trust was used to account for expenditures related to the development of the Scottsdale Memorial Hospital area. This trust was fully expended and closed on June 30, 2006.

Trust Fund Balance

All balances not expended in the current fiscal year are carried over to the next fiscal year to continue funding for the intended purpose.

PROGRAM OPERATING BUDGET BY DEPARTMENT/PROGRAM **Budget by Fund**

Alphabetical Program Operating Budget Index by Department/Program

The following matrix provides a summary of the total adopted FY 2006/07 Program Operating Budget by department and highlights each department's specific programs. The matrix includes the source(s) of funding for each program by governmental fund accounting type plus it includes the applicable number of full-time equivalent employees (FTE's) by program and department. Further details on an individual program can be found in Volume Two of the adopted FY 2006/07 budget.

Department/Program	FTE	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Grants & Trusts	Total	Vol. Two Page # Ref.
GENERAL GOVERNMENT								
CITY CABLE	4.00	325,113	-	-	-	-	325,113	52
CITY CLERK	10.50	877,198	-	-	-	-	877,198	23
CITY MANAGER	8.00	688,269	-	-	-	-	688,269	45
CIVIL DIVISION	25.75	3,324,418	-	-	-	-	3,324,418	30
COMMUNICATIONS & PUBLIC AFFAIRS	10.65	1,370,571	-	-	-	-	1,370,571	49
COURT	65.08	5,372,765	3,612,337	-	-	-	8,985,102	41
ELECTIONS	-	212,390	-	-	-	-	212,390	26
ENVIRONMENTAL OFFICES	2.00	337,717	-	-	-	-	337,717	66
INTERNAL AUDIT PROGRAM	8.00	747,385	-	-	-	-	747,385	37
LEGISLATIVE & CONSTITUENT/GOV RELATIONS	15.72	1,544,156	-	-	-	150,000	1,694,156	19
PRESERVATION	5.00	721,112	110,000	-	-	-	831,112	63
PROSECUTION	30.00	2,550,073	-	-	-	-	2,550,073	32
THE DOWNTOWN GROUP	6.00	4,746,119	712,268	-	-	-	5,458,387	59
VICTIM SERVICES	8.50	533,559	-	-	-	-	533,559	34
WESTWORLD OPERATIONS	23.00	3,158,698	-	-	-	-	3,158,698	55
	222.20	26,509,543	4,434,605	-	-	150,000	31,094,148	
POLICE DEPARTMENT								
AUTO THEFT INVESTIGATIONS	8.00	821,861	-	-	-	49,800	871,661	108
BICYCLE PATROL	11.00	1,122,654	-	-	-	-	1,122,654	82
BURGLARY & THEFT INVESTIGATIONS	11.00	1,212,486	-	-	-	-	1,212,486	106
CANINE SERVICES	6.00	852,739	-	-	-	-	852,739	86
COMMUNICATIONS	56.00	3,885,086	-	-	-	-	3,885,086	132
COMPUTER CRIME INVESTIGATIONS	7.00	662,571	-	-	-	-	662,571	114
CRIME ANALYSIS	5.00	346,389	-	-	-	-	346,389	140
CRIME LABORATORY	18.00	1,525,336	446,902	-	-	137,000	2,109,238	138
CRIME PREVENTION	3.00	312,785	-	-	-	-	312,785	76
CRIME SCENE PROCESSING	10.00	710,392	-	-	-	-	710,392	142
CRIMINAL INTELLIGENCE	11.00	1,146,750	-	-	-	-	1,146,750	124
DETENTION	39.00	3,953,778	-	-	-	-	3,953,778	92
DOMESTIC VIOLENCE INVESTIGATIONS	6.00	601,549	-	-	-	-	601,549	102
DRUG ENFORCEMENT	10.00	1,666,711	389,690	-	-	88,200	2,144,601	118
DRUG INTERDICTION	7.00	816,205	-	-	-	-	816,205	120
EVENT TRAFFIC CONTROL	-	347,942	-	-	-	-	347,942	94
FALSE ALARM REDUCTION PROGRAM	1.00	72,658	-	-	-	-	72,658	154
FRAUD INVESTIGATIONS	8.00	838,720	-	-	-	-	838,720	110
INTERNAL AFFAIRS	4.00	444,933	-	-	-	-	444,933	72

PROGRAM OPERATING BUDGET BY DEPARTMENT/PROGRAM **Budget by Fund**

Department/Program	FTE	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Grants & Trusts	Total	Vol. Two Page # Ref.
MOUNTED PATROL	9.10	837,765	23,000	-	-	-	860,765	88
MUNICIPAL SECURITY	2.00	1,594,001	-	-	-	-	1,594,001	152
OFFICE OF THE CHIEF	11.00	1,676,835	12,500	-	-	-	1,689,335	70
PARK & PRESERVE PATROL	7.00	580,573	-	-	-	-	580,573	90
PATROL PROBLEM SOLVING SURVEILLANCE TEAM	6.00	680,246	-	-	-	-	680,246	84
PATROL SERVICES	262.00	27,267,754	-	-	-	-	27,267,754	74
PHOTO ENFORCEMENT	1.00	4,543,748	-	-	-	-	4,543,748	78
PLANNING, RESEARCH AND ACCREDITATION	6.00	457,965	-	-	-	-	457,965	144
POLICE CRISIS INTERVENTION	6.00	605,215	-	-	-	-	605,215	104
POLICE FACILITIES	2.00	363,500	-	-	-	-	363,500	150
POLICE RECORDS	36.00	2,053,103	-	-	-	-	2,053,103	126
POLICE SUPPLY & EQUIPMENT	8.00	1,886,195	-	-	-	-	1,886,195	130
PROPERTY AND EVIDENCE	7.50	448,994	-	-	-	-	448,994	136
RECRUITING & PERSONNEL	8.00	782,670	-	-	-	-	782,670	146
REPEAT OFFENDER PROGRAM	9.00	861,039	-	-	-	-	861,039	112
SCHOOL RESOURCE SERVICES	16.00	1,504,168	2,000	-	-	-	1,506,168	116
SEX CRIMES INVESTIGATIONS	11.00	1,130,812	3,350	-	-	-	1,134,162	100
SPECIAL EVENT/OFF DUTY COORDINATION	2.00	189,990	-	-	-	-	189,990	96
SURVEILLANCE/SWAT	8.00	1,301,531	-	-	-	-	1,301,531	122
TECHNOLOGY	7.00	1,937,325	-	-	-	-	1,937,325	128
TELEPHONE REPORTING SERVICES	4.00	255,005	-	-	-	-	255,005	134
TRAFFIC ENFORCEMENT	30.00	3,639,921	-	-	-	-	3,639,921	80
TRAINING	10.00	1,414,052	-	-	-	-	1,414,052	148
VIOLENT CRIMES INVESTIGATIONS	13.00	1,797,038	-	-	-	-	1,797,038	98
	702.60	79,150,990	877,442	-	-	275,000	80,303,432	
FINANCIAL SERVICES								
ACCOUNTING	13.00	1,824,173	-	-	-	-	1,824,173	160
ACCOUNTS PAYABLE & PAYROLL	14.50	1,079,124	-	-	-	-	1,079,124	162
BUDGET	7.00	720,020	-	-	-	-	720,020	166
COPY CENTER		(97,824)	-	-	-	-	(97,824)	176
FINANCIAL PLANNING & ADMINISTRATION	5.00	654,556	-	-	-	-	654,556	158
GRAPHICS	4.00	308,051	-	-	-	-	308,051	174
MAIL	4.00	806,012	-	-	-	-	806,012	178
METER READING	16.00	-	-	1,180,550	-	-	1,180,550	184
PURCHASING	15.00	1,199,935	-	-	-	-	1,199,935	170
REMITTANCE PROCESSING	13.00	503,779	-	555,450	-	-	1,059,229	188
REVENUE RECOVERY	13.50	509,847	-	465,059	-	-	974,906	182
RISK MANAGEMENT	8.00	-	-	-	28,454,629	-	28,454,629	168
STORES/WAREHOUSE OPERATIONS	6.00	434,611	-	-	-	-	434,611	172
TAX & LICENSE	13.00	910,732	-	-	-	-	910,732	180
TAX AUDIT	9.00	740,526	-	-	-	-	740,526	164
UTILITY BILLING	10.00	-	-	1,022,688	-	-	1,022,688	186
	151.00	9,593,542	-	3,223,747	28,454,629	-	41,271,918	
TRANSPORTATION DEPARTMENT								
AVIATION	15.00	-	-	1,720,250	-	-	1,720,250	194
INTELLIGENT TRANSPORTATION SYSTEMS	4.00	-	768,446	-	-	-	768,446	200
TRAFFIC ENGINEERING	10.00	-	1,670,786	-	-	-	1,670,786	202
TRANSIT	5.00	-	10,767,585	-	-	-	10,767,585	198
TRANSPORTATION ADMINISTRATION	4.00	-	489,866	-	-	-	489,866	192
TRANSPORTATION MASTER PLANNING	7.00	-	635,232	-	-	-	635,232	196
	45.00	-	14,331,915	1,720,250	-	-	16,052,165	

PROGRAM OPERATING BUDGET BY DEPARTMENT/PROGRAM Budget by Fund

Department/Program	FTE	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Grants & Trusts	Total	Vol. Two Page # Ref.
COMMUNITY SERVICES								
ADAPTED RECREATION SERVICES	6.88	330,717	-	-	-	-	330,717	210
AQUATICS	52.89	2,048,840	-	-	-	-	2,048,840	212
BRANCH LIBRARIES	56.58	3,119,667	-	-	-	-	3,119,667	238
COMMUNITY RECREATION SERVICES & FACILITIES	57.70	2,537,249	3,034,840	-	-	-	5,572,089	218
COMMUNITY SERVICES PLANNING AND ADMIN	5.00	763,479	-	-	-	-	763,479	206
CONTRACT ADMINISTRATION	7.00	2,866,084	-	-	-	-	2,866,084	254
DOWNTOWN MAINTENANCE PROGRAM	12.00	1,108,506	-	-	-	-	1,108,506	244
FACILITIES MAINTENANCE	47.00	12,318,297	-	-	-	-	12,318,297	252
FACILITIES MGMT PLANNING & ADMIN	5.00	571,907	-	-	-	-	571,907	250
GROUND AND LANDSCAPE MAINTENANCE	65.30	5,653,848	-	-	-	-	5,653,848	242
HOUSING ASSISTANCE AND CDBG PROGRAMS	16.75	500,662	100,000	-	-	8,144,510	8,745,172	230
HUMAN SERVICES PLANNING & ADMIN.	4.00	429,608	-	-	-	-	429,608	224
LEISURE EDUCATION PROGRAMS	6.76	960,891	-	-	-	-	960,891	220
LIBRARY OPERATIONS	23.50	3,424,495	336,619	-	-	25,000	3,786,114	234
LIBRARY PLANNING AND ADMINISTRATION	5.00	744,393	-	-	-	-	744,393	232
MAIN LIBRARY	42.97	2,355,865	-	-	-	-	2,355,865	236
MEDIANS AND RIGHT-OF-WAY	10.00	1,737,601	-	-	-	-	1,737,601	246
PARKS & GROUNDS MGMT-PLANNING & ADMIN	7.00	716,761	-	-	-	-	716,761	240
PARKS & RECREATION PLANNING & ADMIN	5.44	673,892	-	-	-	-	673,892	208
SENIOR CITIZEN SERVICES	27.82	2,044,000	72,588	-	-	-	2,116,588	226
SOCIAL SERVICES ASSISTANCE AND REFERRAL	34.15	2,799,805	250,000	-	-	1,250,610	4,300,415	228
SPORTS & FITNESS PROGRAMS	27.56	2,095,830	349,411	-	-	-	2,445,241	214
SPORTS COMPLEXES	22.35	2,045,218	-	-	-	-	2,045,218	248
TRAILS & EQUESTRIAN FACILITIES	3.70	225,261	-	-	-	-	225,261	222
YOUTH ACTIVITIES & AFTER SCHOOL PROGRAMS	25.95	1,887,022	85,750	-	-	-	1,972,772	216
	578.30	53,959,898	4,229,208	-	-	9,420,120	67,609,226	
INFORMATION SYSTEMS								
APPL. DEV. INTEGRATION MGMT & SUPPORT	15.00	1,764,946	-	-	-	-	1,764,946	260
APPLICATION SUPPORT	7.00	765,944	-	-	-	-	765,944	268
GIS DATA SERVICES	10.00	924,011	-	-	-	-	924,011	264
HELP DESK/DESKTOP TECHNICAL SUPPORT	11.00	876,366	-	-	-	-	876,366	270
INFORMATION SYSTEMS ADMINISTRATION	5.81	569,313	-	-	-	-	569,313	258
NETWORK OPERATIONS	30.00	4,362,406	-	-	-	-	4,362,406	262
PROJECT OFFICE	5.00	529,556	-	-	-	-	529,556	266
	83.81	9,792,542	-	-	-	-	9,792,542	
FIRE DEPARTMENT								
EMERGENCY MANAGEMENT	2.00	293,599	-	-	-	-	293,599	280
FIRE ADMINISTRATION	5.00	1,018,487	-	-	-	-	1,018,487	274
FIRE EMERGENCY SERVICES	224.00	23,813,105	-	-	-	-	23,813,105	276
FIRE SUPPORT SERVICES	28.00	5,226,313	4,290	-	-	-	5,230,603	278
	259.00	30,351,504	4,290	-	-	-	30,355,794	
WATER RESOURCES								
ADVANCED WATER TREATMENT PLANT	-	-	-	1,791,749	-	-	1,791,749	326
ARSENIC TREATMENT	1.00	-	-	1,412,419	-	-	1,412,419	332
CAP TREATMENT PLANT	-	-	-	9,267,071	-	-	9,267,071	320
CENTRAL GWTF	-	-	-	905,206	-	-	905,206	314
CHAPARRAL WATER TREATMENT PLANT	-	-	-	2,582,433	-	-	2,582,433	330
GAINEY WASTEWATER RECLAMATION PLANT	-	-	-	422,661	-	-	422,661	324
INDUSTRIAL PRETREATMENT	3.00	-	-	286,038	-	-	286,038	322
INLET GOLF COURSE IRRIGATION	-	-	-	51,007	-	-	51,007	292
IRRIGATION WATER DISTRIBUTION SYS	1.00	-	-	1,355,686	-	-	1,355,686	312

PROGRAM OPERATING BUDGET BY DEPARTMENT/PROGRAM **Budget by Fund**

Department/Program	FTE	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Grants & Trusts	Total	Vol. Two Page # Ref.
PLANET RANCH WATER RIGHTS	1.00	-	-	247,102	-	-	247,102	286
PUMP BACK SYSTEM	5.00	-	-	2,111,687	-	-	2,111,687	308
RWDS ADMINISTRATION	-	-	-	2,618,363	-	-	2,618,363	310
SOUTHERN NEIGHBORHOODS WATER SYSTEM	-	-	-	1,909,860	-	-	1,909,860	302
TREATMENT PLANT STAFFING	48.00	-	-	2,578,768	-	-	2,578,768	318
WASTEWATER COLLECTION	-	-	-	867,295	-	-	867,295	304
WASTEWATER MAINTENANCE	-	-	-	492,483	-	-	492,483	306
WATER & WASTEWATER ENGINEERING	6.00	-	-	556,534	-	-	556,534	288
WATER & WASTEWATER OPERATIONS ADMINISTRATION	9.00	-	-	1,048,630	-	-	1,048,630	294
WATER CAMPUS WASTEWTR RECLAMATION PLANT	-	-	-	7,848,931	-	-	7,848,931	328
WATER CONSERVATION	5.00	-	-	1,025,322	-	-	1,025,322	296
WATER DISTRIBUTION	35.00	-	-	4,396,392	-	-	4,396,392	298
WATER PRODUCTION	20.00	-	-	7,106,928	-	-	7,106,928	300
WATER RESOURCES ADMINISTRATION	11.00	-	-	1,654,369	-	-	1,654,369	284
WATER/WASTEWATER QUALITY	17.00	-	-	2,074,023	-	-	2,074,023	316
WEST WORLD GOLF RECHARGE	-	-	-	179,171	-	-	179,171	290
	162.00	-	-	54,790,128	-	-	54,790,128	
MUNICIPAL SERVICES								
ALLEY MAINTENANCE	7.00	-	737,595	-	-	-	737,595	378
ASSET MANAGEMENT	2.00	219,221	-	-	-	-	219,221	340
CAPITAL PROJECT MANAGEMENT	46.00	(3)	-	-	-	-	(3)	338
COMMERCIAL REFUSE COLLECTION	12.00	-	-	2,993,044	-	-	2,993,044	350
CONTAINER REPAIR PROGRAM	2.00	-	-	517,777	-	-	517,777	346
EMERGENCY RESPONSE TEAM	-	-	62,227	-	-	-	62,227	354
FIELD SERVICES ADMINISTRATION	-	-	-	-	-	-	-	352
FLEET MAINTENANCE & OPERATIONS	40.00	-	-	-	5,661,388	-	5,661,388	368
FLEET MANAGEMENT ADMINISTRATION	4.00	-	-	-	597,659	-	597,659	366
FLEET PARTS SUPPLY	10.00	-	-	-	529,888	-	529,888	370
FUEL	-	-	-	-	3,246,134	-	3,246,134	372
HOUSEHOLD HAZARDOUS WASTE	-	-	-	209,516	-	-	209,516	376
MUNICIPAL SERVICES ADMINISTRATION	3.00	398,847	-	-	-	-	398,847	336
RESIDENTIAL REFUSE COLLECTION	63.25	-	-	10,027,733	-	-	10,027,733	344
SOLID WASTE MANAGEMENT ADMIN SVCS	5.00	-	-	476,443	-	-	476,443	342
STORMWATER MANAGEMENT	4.00	-	-	-	-	-	-	380
STREET CLEANING	11.00	-	1,056,912	-	-	-	1,056,912	360
STREET LIGHT MAINTENANCE	-	-	829,518	-	-	-	829,518	382
STREET OVERLAYS AND MAINTENANCE	9.50	-	6,507,800	-	-	-	6,507,800	362
STREET SIGNS AND MARKINGS	9.00	-	1,070,682	-	-	-	1,070,682	358
TRAFFIC SIGNALS	15.00	-	1,776,607	-	-	-	1,776,607	356
TRANSFER STATION OPERATIONS	3.00	-	-	304,664	-	-	304,664	348
UNPAVED ROADS AND DRAINAGE SYSTEM MAINT	10.00	-	1,582,697	-	-	-	1,582,697	364
VEHICLE ACQUISITION	-	-	-	-	5,912,713	-	5,912,713	374
	255.75	618,065	13,624,038	14,529,177	15,947,782	-	44,719,062	
CITIZEN & NEIGHBORHOOD RESOURCES								
CITIZEN & NEIGHBORHOOD ADMIN	4.00	525,967	-	-	-	-	525,967	386
CODE ENFORCEMENT	19.00	1,392,709	97,207	-	-	-	1,489,916	394
CUSTOMER SERVICE & COMMUNICATIONS	7.00	693,326	-	-	-	-	693,326	388
INFORMATION RESOURCES	6.00	378,926	-	-	-	-	378,926	390
NEIGHBORHOOD SERVICES	4.00	486,401	-	-	-	-	486,401	392
	40.00	3,477,329	97,207	-	-	-	3,574,536	

PROGRAM OPERATING BUDGET BY DEPARTMENT/PROGRAM Budget by Fund

Department/Program	FTE	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Grants & Trusts	Total	Vol. Two Page # Ref.
HUMAN RESOURCES SYSTEMS								
DIVERSITY & DIALOGUE	2.00	366,133	15,957	-	-	15,000	397,090	406
EMPLOYEE PROGRAMS	-	101,990	-	-	-	-	101,990	402
HUMAN RESOURCES	27.50	2,734,688	-	-	-	-	2,734,688	400
HUMAN RESOURCES ADMINISTRATION	4.00	574,451	-	-	-	-	574,451	398
LEARNING & ORGANIZATION DEVELOPMENT	3.00	687,499	-	-	-	-	687,499	404
	36.50	4,464,761	15,957	-	-	15,000	4,495,718	
ECONOMIC VITALITY DEPT								
ECONOMIC DEVELOPMENT	2.00	324,078	-	-	-	-	324,078	412
ECONOMIC VITALITY ADMIN	2.00	321,304	-	-	-	-	321,304	410
EXISTING BUSINESS SERVICES	2.00	232,300	-	-	-	-	232,300	418
HOSPITALITY DEVELOPMENT	3.00	349,918	7,049,630	-	-	-	7,399,548	414
REVITALIZATION	2.00	233,619	-	-	-	-	233,619	416
	11.00	1,461,219	7,049,630	-	-	-	8,510,849	
PLANNING & DEVELOPMENT SERVICES								
CUSTOMER SERVICES	31.00	2,653,008	-	-	-	600,000	3,253,008	424
DEVELOPMENT SERVICES	79.00	7,362,738	50,000	-	-	-	7,412,738	428
PLANNING & DEVELOPMENT ADMINISTRATION	5.00	1,123,123	-	-	-	-	1,123,123	422
PLANNING SERVICES	46.00	4,211,670	-	-	-	-	4,211,670	426
	161.00	15,350,539	50,000	-	-	600,000	16,000,539	
Future Grants Not Assigned to Programs ^(A)								
Estimated Department Savings		(1,500,000)				10,535,400	10,535,400	
Estimated Vacant Position Savings		(3,300,000)					(3,300,000)	
Subtotal Program Budget Plus Grants & Trusts	2,708.16	229,929,932	44,714,292	74,263,302	44,402,411	20,995,520	414,305,457	
Less: Internal Service Fund Offset							(36,336,685)	
Add: Debt Service							89,309,769	
Add: Reserves/Contingency Appropriations							23,346,090	
Total FY 2006/07 Operating Budget Plus Other Fiscal Activity							490,624,631 ^(B)	

^(A) These are unidentified future grants and have not been applied to a program at this time. This funding is included to give the maximum, legal flexibility. When and if a grant is awarded, it will be assigned to a specific department and program.

^(B) The FY 2006/07 Operating Budget plus Other Fiscal Activity total agrees with the Adopted Budget Ordinance Schedule F in the Volume One Appendix (\$467,619,111 + \$23,005,520 = \$490,624,631).

Program Budget Relationship with Mayor & City Council's Broad Goals

Budget by Fund

Relationship with Mayor and City Council's Broad Goals Alphabetical Program Budget Index

Mayor and City Council's Broad Goals

Goal A: Neighborhoods

Enhance and protect a diverse, family-oriented community where neighborhoods are safe, protected from adverse impacts, well maintained and actively revitalized.

Goal B: Environmental Sustainability & Preservation

Preserve Scottsdale's desert environment and natural resources, and honor the City's heritage and character.

Goal C: Transportation

Strengthen the transportation system for the safe, efficient and affordable movement of people and goods.

Goal D: Economy

Position Scottsdale for short- and long-term economic prosperity by strengthening, expanding and diversifying our economic resources.

Goal E: Public Safety

Protect Scottsdale residents and visitors by providing quality public safety and homeland security services.

Goal F: Fiscal and Resource Management

Provide the means to reach other goals by ensuring Scottsdale is fiscally responsible and fair in its management of taxpayer money and City assets, and coordinates land use and infrastructure planning within the context of financial demands and available resources.

Goal G: Open and Responsive Government

Make government accessible, responsive and accountable so that decisions reflect community input and expectations.

The following matrix provides a summary of each program's relationship to the Mayor and City Council's Broad Goals. Further information on each program can be found in each department's section.

	Goal A Neighborhoods	Goal B Preservation	Goal C Transportation	Goal D Economy	Goal E Public Safety	Goal F Fiscal and Resource Management	Goal G Open and Responsive Government
General Government							
City Cable							X
City Clerk							X
City Manager	X	X	X	X	X	X	X
Civil Division						X	
Communications & Public Affairs							X
Court	X						X
Elections							X
Environmental Planning Services		X					
Internal Audit Program						X	
Legislative & Constituent/Gov Relations	X	X	X	X	X	X	X
Preservation		X					
Prosecution	X						
The Downtown Group				X			
Victim Services	X						
WestWorld Operations		X		X			

Program Budget Relationship with Mayor & City Council's Broad Goals

Budget by Fund

	Goal A Neighborhoods	Goal B Preservation	Goal C Transportation	Goal D Economy	Goal E Public Safety	Goal F Fiscal and Resource Management	Goal G Open and Responsive Government
Police							
Auto Theft Investigations	X				X		
Bicycle Patrol	X				X		
Burglary & Theft Investigations	X				X		
Canine Services	X				X		
Communications	X				X		
Computer Crime Investigations	X				X		
Crime Analysis	X				X		
Crime Laboratory	X				X		
Crime Prevention	X				X		
Crime Scene Processing	X				X		
Criminal Intelligence	X				X		
Detention	X				X		
Domestic Violence Investigations	X				X		
Drug Enforcement	X				X		
Drug Interdiction	X				X		
Event Traffic Control	X		X		X		
False Alarm Reduction Program	X				X		
Fraud Investigations	X				X		
Internal Affairs	X				X		
Mounted Patrol	X				X		
Municipal Security	X				X		
Office Of The Chief	X				X		
Park & Preserve Patrol	X				X		
Patrol Problem Solving Surveillance Team	X				X		
Patrol Services	X				X		
Photo Enforcement			X		X		
Planning, Research And Accreditation	X				X		
Police Crisis Intervention	X				X		
Police Facilities	X				X		
Police Records	X				X		X
Police Supply & Equipment	X				X		
Property And Evidence	X				X		
Recruiting & Personnel	X				X		
Repeat Offender Program	X				X		
School Resource Services	X				X		
Sex Crimes Investigations	X				X		
Special Event/Off Duty Coordination	X				X		
Surveillance/SWAT	X				X		
Technology	X				X		
Telephone Reporting Services	X				X		
Traffic Enforcement	X		X		X		
Training	X				X		
Violent Crimes Investigations	X				X		

Program Budget Relationship with Mayor & City Council's Broad Goals

Budget by Fund

	Goal A Neighborhoods	Goal B Preservation	Goal C Transportation	Goal D Economy	Goal E Public Safety	Goal F Fiscal and Resource Management	Goal G Open and Responsive Government
Financial Services							
Accounting						X	
Accounts Payable & Payroll						X	
Budget						X	
Copy Center						X	
Financial Planning & Administration						X	
Graphics						X	
Mail						X	
Meter Reading						X	
Purchasing						X	
Remittance Processing						X	
Revenue Recovery						X	
Risk Management						X	
Stores/Warehouse Operations						X	
Tax & License						X	
Tax Audit						X	
Utility Billing						X	
Transportation							
Aviation			X				
Intelligent Transportation Systems			X				
Traffic Engineering	X		X				
Transit			X				
Transportation Administration			X				
Transportation Master Planning			X				
Community Services							
Adapted Recreation Services	X						
Aquatics	X						
Branch Libraries	X						
	X						
Community Recreation Services & Facilities							
Community Services Planning And Administration	X	X				X	X
Contract Administration						X	
Downtown Maintenance Program	X	X				X	
Facilities Maintenance						X	
Facilities Mgmt Planning & Administration						X	
Grounds And Landscape Maintenance	X	X				X	
Housing Assistance And CDBG Programs	X						
	X						
Human Services Planning & Administration							
Leisure Education Programs	X						
Library Operations	X						
Library Planning And Administration	X					X	
Main Library	X						
Medians And Right-Of-Way	X	X				X	
Parks & Grounds Mgmt-Planning & Administration	X					X	
Parks & Recreation Planning & Administration	X	X				X	X
Senior Citizen Services	X						
Social Services Assistance And Referral	X						
Sports & Fitness Programs	X						X
Sports Complexes	X			X			
Trails & Equestrian Facilities	X	X					X
Youth Activities & After School Programs	X						

Program Budget Relationship with Mayor & City Council's Broad Goals

Budget by Fund

	Goal A Neighborhoods	Goal B Preservation	Goal C Transportation	Goal D Economy	Goal E Public Safety	Goal F Fiscal and Resource Management	Goal G Open and Responsive Government
Information Systems							
Appl. Dev. Integration Mgmt & Support						X	X
Application Support						X	X
GIS Data Services						X	X
Help Desk/Desktop Technical Support						X	X
Information Systems Administration						X	X
Network Operations						X	X
Project Office						X	
Fire							
Emergency Management	X				X		
Fire Administration	X				X		X
Fire Emergency Services	X				X		
Fire Support Services	X					X	X
Water Resources							
Advanced Water Treatment Plant						X	
Arsenic Treatment						X	
CAP Treatment Plant						X	
Central GWTF						X	
Chaparral Water Treatment Plant						X	
Gainey Wastewater Reclamation Plant						X	
Industrial Pretreatment						X	
Inlet Golf Course Irrigation						X	
Irrigation Water Distribution System						X	
Planet Ranch Water Rights						X	
Pump Back System						X	
RWDS Administration						X	
Southern Neighborhoods Water System						X	
Treatment Plant Staffing						X	
Wastewater Collection						X	
Wastewater Maintenance						X	
Water & Wastewater Engineering						X	
Water & Wastewater Operations						X	
Administration							
						X	
Water Campus Wastewtr Reclamation Plant							
Water Conservation						X	
Water Distribution						X	
Water Production						X	
Water Resources Administration						X	
Water/Wastewater Quality						X	
WestWorld Golf Recharge						X	
Municipal Services							
Alley Maintenance	X						
Asset Management						X	
Capital Project Management						X	
Commercial Refuse Collection	X						
Container Repair Program	X						
Emergency Response Team			X				
Field Services Administration			X				
Fleet Maintenance & Operations						X	
Fleet Management Administration						X	
Fleet Parts Supply						X	
Fuel						X	

Program Budget Relationship with Mayor & City Council's Broad Goals

Budget by Fund

	Goal A Neighborhoods	Goal B Preservation	Goal C Transportation	Goal D Economy	Goal E Public Safety	Goal F Fiscal and Resource Management	Goal G Open and Responsive Government
Household Hazardous Waste	X						
Municipal Services Administration						X	
Residential Refuse Collection	X						
Solid Waste Management Admin Svcs	X						
Stormwater Management	X					X	X
Street Cleaning	X						
Street Light Maintenance			X			X	
Street Overlays And Maintenance			X				
Street Signs And Markings			X				
Traffic Signals			X				
Transfer Station Operations	X						
Unpaved Roads And Drainage System Maint			X				
Vehicle Acquisition						X	
Citizen & Neighborhood Resources							
Citizen & Neighborhood Administration	X						
Code Enforcement	X						
Customer Service & Communications	X						
Information Resources	X						X
Neighborhood Services	X						
Human Resources							
Diversity & Dialogue							X
Employee Programs						X	X
Human Resources						X	X
Human Resources Administration						X	X
Learning & Organization Development						X	X
Economic Vitality							
Economic Development				X			
Economic Vitality Administration				X			
Existing Business Services				X			
Hospitality Development				X			
Revitalization				X			
Planning & Development Services							
Customer Services		X					
Development Services	X	X	X				
Planning & Development Administration		X					
Planning Services		X					